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ABSTRACT

Unemployment insurance is the principal income program for workers who lose their jobs, however, it does not provide adequate income, nor does it provide for all unemployed persons. Because many different programs are operated for this purpose, they tend to have a fragmented effect and leave many unemployed persons with no income support. This study is an inquiry into the variety and fragmentation of programs that provide income support, the extent to which unemployment insurance should be expanded and improved, and how it can be better coordinated with other programs. (GEB)

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Income for the Unemployed

The Variety and Fragmentation of Programs

Merrill G. Murray

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The Role of Unemployment Insurance Under Guaranteed Minimum Income Plans. Merrill G. Murray. June 1969.

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Income for the Unemployed

The Variety and Fragmentation of Programs

By

MERRILL G. MURRAY

April 1971

The W. E. Upjohn Institute for Employment Research

THE INSTITUTE, a privately sponsored nonprofit research organization, was established on July 1, 1945. It is an activity of the W. E. Upjohn Unemployment Trustee Corporation, which was formed in 1932 to administer a fund set aside by the late Dr. W. E. Upjohn for the purpose of carrying on "research into the causes and effects of unemployment and measures for the alleviation of unemployment."

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Foreword

This report is the fifth in a series of studies which the Institute has initiated as part of a broad review of unemployment insurance and related issues in income maintenance and manpower policy. The scope of this review is described in the second report of this series, *Unemployment Insurance Objectives and Issues: An Agenda for Research and Evaluation,* by Saul J. Blaustein, staff member, who is directing the project. Assisting him is an advisory committee composed of distinguished scholars and practitioners in the manpower and social welfare fields. The composition of the committee is shown on the facing page.

A list of the published reports in this series appears on the inside front cover of this report. Most of the remaining reports will be published in 1971 and 1972. The Institute has planned about 24 studies for the series. It has also planned a summary volume containing the findings of these studies and their conclusions. The summary volume will provide the basis for a consideration of specific proposals for reform of the unemployment insurance system.

The statements of fact and the views expressed in the reports are the sole responsibility of their authors. They do not necessarily represent positions of the W. E. Upjohn Institute for Employment Research.

Samuel V. Bennett
Director

Kalamazoo, Michigan
March 1971

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The Author

Merrill G. Murray received his Ph.D. degree in Economics from the University of Wisconsin. He has been engaged in research and legislative work on unemployment insurance and old-age and survivors insurance since 1931. He was Assistant to the Administrator of the Bureau of Employment Security and Secretary of the Federal Advisory Council on Employment Security for 15 years prior to his retirement from government service. He also served as Assistant Director for Research for the Bureau of Old Age and Survivors Insurance for 10 years and was Chief of the Social Insurance Section of the Office of Military Government in Germany for four years following World War II.

Dr. Murray is coauthor of three books on unemployment insurance, the latest being *Unemployment Insurance in the American Economy* with William Haber. He is also the author of numerous articles and studies on unemployment and old-age and survivors insurance.

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Preface

This study started out to be an inquiry into the problems of coordination of unemployment insurance with other public benefit programs. The principal questions to be pursued were: What duplication of benefits is there? Is this duplication justified; if not, what measures should be taken to prevent it?

As the study progressed, however, additional questions arose. With the variety of programs that have grown up in recent years to provide employment, training, or income for the unemployed, the poor, and the disadvantaged, it became evident that additional questions should be pursued such as: How can unemployment insurance provide a more comprehensive and consistent scope of income support for the unemployed in relation to other forms of aid? Is it rational for other programs to pay allowances based on average unemployment benefit payments, or should some other measure be used? Where there are still gaps in income support for the unemployed, how can the gaps best be closed—through extension of unemployment insurance or through some other program? This study has, accordingly, been broadened to include an inquiry into (1) the variety and fragmentation of programs that provide income support for the unemployed to a greater or lesser degree; (2) the extent to which unemployment insurance should be expanded and improved so that it can take over some of the protection provided by other programs and fill the gaps left between programs; and (3) how unemployment insurance can be better coordinated with other programs that provide protection more appropriately.

The author wishes to express his appreciation for the assistance he has been given in preparing this study. Many helpful comments have been given by members of the Unemployment Insurance Research Advisory Committee, especially Ralph Altman, Philip Booth, and Eveline M. Burns; and by Ben S. Stephansky, Associate Director of the Institute. The author is also appreciative of the assistance he has been given by the many persons in government agencies who have provided information and checked the manuscript for accuracy. Most of all, the author is indebted to Saul J. Blaustein of the Institute for his counsel, detailed comments on successive drafts of the study, and for assembling the information in the Appendixes. His assistance has been so extensive that he might well be considered a coauthor of the study.

Merrill G. Murray

Washington, D.C.
March 1971

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Income for the Unemployed
The Variety and Fragmentation of Programs

I. Introduction

Arrangements for public income support for the unemployed in this country have evolved into a highly fragmented, frequently inconsistent, and relatively uncoordinated collection of programs that fail to meet the basic needs of large numbers of jobless workers. The central and by far the most important program is unemployment insurance (UI), first established in the 1930's. Until about 10 years ago, unemployment insurance remained virtually the only source of income support for the unemployed. Some unemployed persons obtained compensation under other programs designed for different purposes, such as support for the aged and disabled, but this result was incidental or accidental, posing a problem largely of coordination and overlapping rather than one of basic policy.

The public policy position established through unemployment insurance was fairly clear — the unemployed, in order to receive income maintenance, must earn rights to such support through insured employment. No provision was made in the Social Security Act, when unemployment insurance was established, for public assistance for those not meeting UI requirements. In the early years of UI, when the program's scope was still quite limited, especially in its coverage and benefit duration provisions, and very high unemployment still lingered on, the only other arrangements available to support the jobless were the federal work relief programs. These were initiated as temporary measures, and they were terminated when World War II eliminated nearly all unemployment. With a national commitment to a policy designed to promote full employment embodied in the Employment Act of 1946, it was presumed that unemployment would be limited to a level that could be readily handled by UI. Postwar prosperity fortified that presumption.

In the late 1950's and early 1960's confidence in that presumption weakened as unemployment tended to persist at higher levels than had been usual for a number of years following World War II. For a variety of reasons unemployment insurance failed to provide for a large proportion of the unemployed. Despite expanded coverage, significant numbers of jobs were still unprotected. Long-term unemployment carried many workers beyond the limits of protection provided. An increasing influx of new entrants into the labor force, many poorly prepared for the world of work, swelled the levels of the jobless who could not qualify for UI.

During the early 1960's the number of workers who had been unemployed for more than 26 weeks remained at high levels. They accounted for 15 percent of all the unemployed in 1962 and nearly 14 percent in 1963[1] even though the country had recovered from the 1961 recession. Concern with the large number of persistently unemployed and with the concomitant social damage resulted in a series of programs that proliferated the types of income support available. In most cases the support provided was ancillary or secondary to other objectives, such as training under the Manpower Development and Training Act of 1962. In other cases income maintenance was the sole or primary purpose, as in trade readjustment allowances provided under the Trade Adjustment Act of 1962. Even the federally aided public assistance programs, which had from the outset left the unemployed outside their scope, opened the gates enough to assist states in supporting needy dependent children when a parent was unemployed.

Public concern has also grown in recent years over the high unemployment rate of youth. The unemployment rate for white youths 16 to 19 years of age in 1969 was 10.7 percent as compared with an overall rate of 3.5 percent. The unemployment rate of black youths was much higher — 24 percent.[2] Since it was recognized that these high unemployment rates were largely due to inadequate education and training, programs (notably the Neighborhood Youth Corps) have been developed to make it financially possible for youths of high school age to remain in school. Disadvantaged youths have been given education and training in residential centers through the Job Corps. An increasing proportion of those trained under the Manpower Development and Training Act are youths just entering the labor market.

Currently, income maintenance is a subject of lively public debate, centering largely on the issue of poverty and facing the question of support not only in the case of unemployment — one of the principal causes of poverty[3] — but also in the case of the employed poor whose earnings are too low to support their families adequately. A variety of schemes has been advanced to meet this problem, ranging from additional supplementary programs, such as children's or family allowances, to universal minimum income guarantees for all.

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[1] *Manpower Report of the President,* 1970, Table A-18, p. 234.

[2] *Ibid.,* Table 1, p. 38.

[3] Mollie Orshansky, "Who's Who Among the Poor — A Demographic View of Poverty," *Social Security Bulletin,* July 1965, p. 22.

A fourth of those unemployed in March 1964 lived in poor households. Poor working families are subject to a rate of unemployment more than twice that of nonpoor working families, and poor heads of families had three times the unemployment rate of the nonpoor heads.

A more limited "Family Assistance Plan," proposed by President Nixon, failed of passage by the Ninety-first Congress; it would have provided federal payments in the form of a minimum annual income to families with children in place of the present Aid to Families with Dependent Children (AFDC). It has been given top priority in the President's recommendations to the Ninety-second Congress.

This paper will review the various sources of public income support available for the unemployed. It will examine the reasons for the establishment of these measures, the problems they present in terms of conflicting rationales and objectives, and their interrelationships. Because UI is by far the largest program and the one specifically designed to provide income support for the unemployed, special stress will be placed on the relationship between it and the other programs.

* * *

In looking at the problem of income support for the unemployed, a broader concept of unemployment is used than that underlying the sample count taken by the Bureau of the Census in the *Monthly Survey of the Labor Force*. In that survey only those who *report* that they are not working but are looking for work, or *report* that they are on temporary layoff and are expecting recall within a brief period are counted as unemployed. Individuals who have had even as little as one hour of employment in the week surveyed are not counted as unemployed; yet some who have been reduced to part-time work for economic reasons may draw partial unemployment benefits. The long-term unemployed who have become discouraged and are no longer looking for a job — they would like to work but do not volunteer this information — are not counted. The unemployed who are enrolled in manpower and poverty programs, such as the Neighborhood Youth Corps and the Job Corps, have not been counted as unemployed since 1965. Charles C. Killingsworth considers all the above exclusions from the Census Bureau count to be part of the overall unemployment problem.[4] This broad concept of unemployment, which has been adopted in this study, requires the consideration of a broad range of programs that provide income support in one form or another.

Principles To Be Followed

In reviewing the limitations in the scope and coverage of the present programs which provide income support for the unemployed, and in considering the problems of duplication and coordination of programs, the author has followed these principles or assumptions:

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[4]"Rising Unemployment: A 'Transitional Problem'?" a statement to the Select Subcommittee on Labor, House of Representatives, U.S. Congress, March 30, 1970, Detroit, Michigan.

1. *Most persons who are unemployed, especially those jobless for more than a week or two, need income support for the necessities of life.* The great majority of the unemployed have little or no means of support of their own when they become unemployed. It is true that some unemployed persons have other means of support, such as savings or, if living at home, can get along without income of their own. Even in the latter case, however, the unemployed person still needs funds unless support is provided by other members of the family for such items as transportation in looking for jobs, personal care, and clothing.

2. *If, through no fault of his own, a person is deprived of a source of income, he has a right to some minimal public support to meet his basic needs.* This right extends not only to benefits provided by social insurance programs, but also to the relief provided through public assistance.

3. *Unemployment insurance is generally recognized as the basic program to provide income support for the unemployed.* It is also recognized to be superior to public assistance because it establishes a right to definite statutory benefits on the basis of employment and earnings in insured employment, rather than on the basis of a budget or the judgment of a social worker. UI benefits are not reduced if the recipient has savings which he can use to supplement his benefits. No inquiry is made into the personal circumstances of the applicant. And he can refuse job offers for which he is not reasonably suited without loss of benefit eligibility. Dr. Eveline Burns, after a study of the British experience with unemployment insurance and unemployment relief during the 1920's and 1930's, concluded:

> The right to draw a specified sum that at least approximates the maintenance minimum, without the necessity of undergoing a means test or accepting unfamiliar jobs or submitting to other coercive controls, is the vital element in insurance to which the worker attaches value.[5]

   This vital element in unemployment insurance should not be diluted by any expansion of the program beyond its limitations as an insurance program.

4. *In order to preserve its values as an insurance program, it is generally agreed that UI should have certain limitations.* These are:

   a. It should require that workers demonstrate past attachment to the

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[5] *British Unemployment Programs, 1920-1938* (Washington: Committee on Social Security, Social Science Research Council, 1941), p. 315.

labor force and more particularly to insured employment and a continuing attachment to the labor force through demonstrated ability to work and availability for work.

b. It necessarily must prescribe the types of employment that are covered by the program. Coverage should be confined to wage or salaried employment. It would be extremely difficult to insure self-employment because of the problem of proving that lack of earnings is due to lack of work.

c. In order to assure that the program will not be abused, it is practical to insure only unemployment that is involuntary and due to no fault of the worker. It should therefore disqualify workers who are discharged for misconduct or who voluntarily quit without good cause, at least until it can be demonstrated that their unemployment is no longer due to their own actions.

d. Its benefits cannot be paid indefinitely, or at least should not be. As Great Britain found out, continued extension of unemployment insurance benefits to long-term unemployed, even if they were genuinely looking for work, so diluted the insurance program that the benefit came to be looked on as a dole and the insurance program as a relief program. While the limited benefits paid under UI may be adequate to meet nondeferrable expenses for a temporary period, they are certainly inadequate to meet all the expenses of the long-term unemployed. Because of these limitations on unemployment insurance, it cannot be expected to provide income support for all the unemployed.

5. *Because of these limitations of unemployment insurance, it is also necessary to have a program of public assistance that provides for the needy unemployed who cannot be protected by UI or for whom UI benefits are inadequate.* The insurance program cannot be stretched or diluted to meet all the needs of the unemployed.

6. *Duplication of public benefits for the same risk should be minimized.* This will conserve limited government resources and prevent the creation of a disincentive to work, which is more likely to occur if the combined benefits approach too closely what the worker can earn while working. Payment of UI to persons receiving other public benefits should not be condoned merely because some other benefit, such as an old-age benefit, is inadequate to support the aged person. On the other hand, if an unemployed worker is receiving another public benefit that arose from some reason other than unemployment, such as a disability benefit that is payable whether or not the worker is unemployed, the receipts of UI benefits should not be regarded as a duplication of benefits. Payment of UI benefits would be particularly justified if the worker qualified

for them on the basis of employment subsequent to the award of another benefit. Or if one benefit such as UI is inadequate to meet the particular needs of the individual and therefore is supplemented by public assistance to meet these needs, this should not be considered duplication.

Extent of Income Support for the Unemployed

While unemployment insurance is generally assumed to provide income protection for all the unemployed, there are large numbers for whom it fails to provide protection. The extent of protection of the unemployed through unemployment insurance varies with the up's and down's of the business cycle, increasing in periods of high unemployment and vice versa. In 1967, a time of relatively low unemployment, only an estimated 33 percent of the unemployed, on the average, were drawing benefits. The remainder of the unemployed were accounted for as follows: 22 percent were covered by UI but were not drawing UI benefits because they were in a noncompensable waiting week, were disqualified from benefits, had failed to file although eligible, or had exhausted their benefits. Another large segment of the unemployed, estimated to total 13 percent, had not worked in jobs covered by UI. The remainder (32 percent) consisted of those who could not meet the employment or earnings test required by UI — mostly young people just entering the labor force or reentrants such as married women returning to the labor force after a period of full-time homemaking (see Table 1).

Table 1

Estimated Distribution of the Unemployed by Unemployment Insurance Benefit Status 1967 Average

Item	Number (millions)	Percent
All unemployed	3.0	100
Compensated (UI beneficiaries)	1.0	33
Covered by UI but not compensated	.6	22
Eligible unemployed filing for noncompensable waiting weeks	.2	
Disqualified; not filing for benefits	.3	
Exhausted UI benefits	.2	
Not covered by UI	.4	13
New entrants, reentrants (not eligible)	1.0	33

Source: Derived from estimates supplied by the Manpower Administration, U.S. Department of Labor.

Note: Figures do not add to totals because of rounding.

II. Income Support Programs

The following pages present a wide spectrum of programs, which to some degree provide income support to some unemployed. Stressed are the fragmentation of income support, the unevenness of that support, the lack of consistency in policy among programs, and the overlapping of coverage and benefits with resulting problems of coordination. The programs covered will be (1) the 55 unemployment insurance programs themselves, (2) trade readjustment allowances, (3) disaster unemployment assistance, (4) the other social insurance benefits, (5) veterans' pensions and compensation, (6) manpower training allowances, (7) the poverty programs that provide some income support, and (8) public assistance, including the Family Assistance Plan proposed by President Nixon.

Unemployment Insurance Programs[1]

The federal-state system of unemployment insurance was established in the 1930's in the midst of a widespread and prolonged depression. The misery and demoralization of millions of unemployed workers, the inability of local and state governments to finance relief for them, and the necessity for the federal government to assume the burden of providing cash relief or work relief resulted in widespread agreement on the need for a systematic method of financing income support for the unemployed and a more humane method of providing such support in place of public relief. The unemployment insurance systems of European countries and a limited number of private plans in the United States provided precedents as well as models for a program of public unemployment insurance in this country.

In the early 1930's, numerous attempts were made in many state legislatures to enact unemployment insurance laws. With the exception of Wisconsin, no state had passed a law up to 1934. The states hesitated to enact legislation separately because of the fear that it would place their employers at a disadvantage in interstate competition. It became evident that federal legislation on unemployment insurance was needed.

In June 1934 President Franklin D. Roosevelt appointed the Committee on Economic Security to draw up a comprehensive program for the income protection of the unemployed, the aged, and the disabled. There was considerable sentiment for a national system of unemployment insurance, in recognition of the fact that we have a national economy and that unemployment is largely due to national economic conditions. Nevertheless, the Committee on Economic

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[1]Except as otherwise noted, information cited relating to provisions of state UI laws is based on descriptions in "Comparison of State Unemployment Insurance Laws," U.S. Department of Labor, Manpower Administration, BES No. U-141, revised as of August 1970.

Security recommended a federal-state system, partly because both the President and most members of the Committee on Economic Security favored state administration of labor and social legislation and partly because it was feared that a federal system of UI would be declared unconstitutional by the predominantly conservative Supreme Court. Moreover, many persons believed that our lack of experience with UI argued against imposing a uniform central system on this large country encompassing widely varying social and economic circumstances. They favored local experimentation to encourage the development of the best approaches.

The Committee on Economic Security was conservative in its recommendations regarding UI benefits. It was influenced in part by the huge debt that the British unemployment insurance system had accumulated in extending the payment of unemployment benefits to unemployed workers over long periods of time because of a depression that continued throughout the 1920's and early 1930's. Also, influenced by overly high estimates by its actuary of the cost of paying benefits in this country, the committee recommended that UI benefits be limited to a maximum of 12 to 16 weeks. The committee justified such short duration in the following words:

> Unemployment compensation, as we conceive it, is a front line of defense, especially valuable for those who are ordinarily steadily employed. . . . In periods of depression public employment should be considered as a principal line of defense. . . . If [unemployment insurance beneficiaries] remain unemployed after benefits are exhausted, we recommend they should be given, instead of an extended benefit in cash, a work benefit — an opportunity to support themselves and their families at work provided by the government.[2]

Congress accepted the recommendations of the Committee on Economic Security for a federal-state system of UI, leaving the states free to adopt all the essential provisions as they saw fit. The states, acting under the stimulus of the federal unemployment tax embodied in the Social Security Act and largely following the advice of the Social Security Board as contained in draft model bills, enacted unemployment insurance laws that were quite limited in both coverage and duration of benefits.

Description of the Present System

Unemployment insurance today is provided primarily through the federal-state system created under the Social Security Act; it consists of statutory programs in all the states, the District of Columbia, and Puerto Rico, loosely coordinated under the federal law. Most wage and salary jobs are covered.

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[2]Committee on Economic Security, *Report to the President* (Washington: Government Printing Office, 1935), pp. 4, 8-10.

The major exceptions remaining after the 1970 Employment Security Amendments take effect are in agricultural, domestic household service, and state and local governmental employment.[3] There are also federal programs of unemployment compensation for federal civilian workers and ex-servicemen, which are administered through the state UI agencies. A separate federal UI program for railroad workers operates independently and is administered by the Railroad Retirement Board.

A federal unemployment tax was imposed on employers covered by the federal law, equal to 3.0 percent[4] of their taxable payrolls against which these employers can get 2.7 percent credit for UI taxes paid under state laws that meet certain conditions required in the federal act. In addition, the federal law provides for federal grants to the states to meet all the costs of administration of their UI laws. The states are left largely free to prescribe the amount and duration of benefits and the conditions required for eligibility for benefits.[5]

The state laws have generally followed the coverage of the federal unemployment tax. Some states, however, have gone beyond the federal coverage to a limited extent. The states have enacted a bewildering variety of benefit provisions, but these provisions follow certain general patterns. The weekly benefit amount payable is usually designed to provide 50 percent of the claimant's former average weekly wage, but this is limited by a variety of minimum and maximum amounts. Most states specify dollar maximums, but an increasing number of states are gearing increases in maximums to increases in state average covered weekly wages, usually setting the maximum at 50 percent or more of such average weekly wages. Eleven states supplement benefits with dependents' allowances. Benefits in all states are paid up to a maximum of 26 or more weeks in a year; nine states have maximums exceeding 26 weeks.[6] Most of the states, however, limit the duration allowed in varying degrees according to the amount of previous employment or earnings so that many claimants qualify only for shorter durations. In 10 states benefits

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[3]The Employment Security Amendments of 1970 (Public Law 91-373), approved August 10, 1970, extended coverage to nearly five million workers, effective January 1, 1972.

[4]Under the Employment Security Amendments of 1970, the tax will be 3.2 percent of the first $4,200 of wages paid to covered workers.

[5]Until the 1970 amendments, the only federal requirement affecting benefit rights was the so-called labor standard which was designed to prevent undercutting of labor standards in the payment of benefits. The 1970 Employment Security Amendments added five more requirements, one of which will prohibit the denial of benefits by reason of cancellation of wage credits or total reduction in benefit rights, except for disqualifications due to misconduct in connection with work or to fraud in connection with a claim or receipt of disqualifying income.

[6]Puerto Rico pays up to only 20 weeks.

are extended during periods of high unemployment, usually by 50 percent up to an additional 13 weeks.[7] The states also vary widely in the amount of former wages or employment that a worker must have in order to qualify for benefits. Although the states follow a general pattern of disqualification for voluntary leaving without good cause, discharge for misconduct, refusal of suitable work, or participation in a labor dispute, they differ in their definitions and in the severity of the benefit restrictions imposed. Some states impose disqualifications or reduce the UI benefit in connection with the receipt of other benefits such as pensions or for other circumstances such as pregnancy.

In 1969 the state UI systems paid $2.2 billion in benefits to an estimated five million persons. Weekly benefits averaged $46 a week for an average of 11.4 weeks.

Initially, railroad employment was covered by the federal-state system of UI. However, because of the interstate character of most railroad employment and the strong influence of the railroad unions, a national program of unemployment insurance for railroad workers was enacted by Congress in 1938. Administration of the program is lodged in the Railroad Retirement Board. The railroad unemployment insurance benefits are somewhat different from state UI benefits. Because of the 24-hour a day, seven-day a week operation of the railroads, benefits are payable on a daily basis. The daily benefit rate ranges from $8.00 to $12.70 and is payable for all days of unemployment in excess of four in a two-week period. Benefits are payable for a maximum of 130 days in a year. Workers with 10-14 years of railroad service are entitled to an additional 65 days of extended benefits, and workers with 15 or more years of service to 130 days of extended benefits. Payments of railroad UI benefits totaled $40.8 million to 96,000 beneficiaries in the fiscal year ending June 30, 1969.[8]

In 1954 the Congress was persuaded that there was a considerable amount of unemployment among federal civilian workers and that it should afford protection to these employees. It was also recognized that only federal legislation could provide protection to federal employees. On the other hand, it was the thinking of Congress that federal civilian workers should have the same protection as other workers in the states in which they were employed. Accordingly, a program of unemployment compensation was enacted whereby unemployed former federal civilian workers would receive benefits under the terms of the UI law of the state in which they last worked.[9] Benefits are paid through the state UI agencies, but are federally financed.

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[7]All states can be expected to adopt extended duration as provided by the Employment Security Amendments of 1970.

[8]Railroad Retirement Board, *1969 Annual Report* (Washington: Government Printing Office, 1969).

[9]Title XV, Social Security Act, as amended.

A monthly average of 19.3 thousand federal civilian workers received a total of $45.7 million in benefits in 1969.[10]

Temporary programs of UI benefits were enacted by the Congress for ex-servicemen who experienced unemployment after discharge following World War II and again after the Korean conflict. With the continuation of Selective Service after the Korean conflict, it became apparent that a permanent program of unemployment compensation was needed to protect servicemen after their discharge from the armed services while they were again seeking jobs in civilian life. Accordingly, in 1958, legislation was enacted to provide such a program.[11] Unemployment compensation is paid to military personnel honorably discharged from the armed services if they have had 90 or more continuous days of service. Their benefits, based on a schedule of remuneration for each pay grade, are paid according to the UI law of the state in which they file, and are paid through the state UI agency in the same manner as for federal civilian employees.

A monthly average of 33.8 thousand ex-servicemen received a total of $86 million in benefits in 1969.[12]

Unevenness of the System

Unemployment insurance in the United States, as indicated above, provides income support for only about a third of the unemployed in periods of high employment and not much more than one-half during recession years because of its limitations in coverage, restrictions in the qualifying and disqualifying provisions, and limitations in the duration of benefits. Even in a year of high employment such as 1969, the limitations on the duration of benefits resulted in nearly 900,000 claimants exhausting their rights to benefits. Many of those who do draw benefits receive insufficient maintenance in relation to their former wage levels. This is especially true for unemployed household heads who normally carry the sole or primary financial responsibility for their families.

The UI system as a whole is inadequate in the income support it provides, and it is much more inadequate in some states than in others. Great diversity prevails among the states in practically every significant aspect of the program. While the nation's economy has become more integrated and less uneven throughout the country over the last 35 years, state UI laws have become much more dissimilar. In many industries workers in the same occupations,

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[10] *Unemployment Insurance Statistics* (Washington: U.S. Department of Labor, Manpower Administration, April 1969-March 1970), Table 4.

[11] Public Law 85-848, approved August 28, 1958.

[12] *Unemployment Insurance Statistics* (Washington: U.S. Department of Labor, Manpower Administration, April 1969-March 1970), Table 4.

especially those that are highly organized and dominated by large corporations with labor contracts negotiated on an industrywide or national basis, are likely to earn the same wages regardless of location. But when they are laid off, they find that the kind of protection to which their employment entitles them under unemployment insurance is quite different from state to state. While one of the reasons for the adoption of a federal-state system was to permit experimentation by individual states, it was expected that all states, in time, would adopt similar approaches which were shown to be superior. Such has not been the general experience.

The variation among state UI laws in the weekly benefit amount and in the number of weeks of benefits allowed illustrates the diversity that occurs and its effect on the adequacy of the protection afforded. In the case of the weekly benefit amount, most states have formulas that aim to compensate the claimant at the rate of at least half of his weekly wage between specified minimum and maximum benefit levels. A few states aim higher than 50 percent, one paying as much as two-thirds of the weekly wage (New Jersey). In five states the weekly amount is computed as a fraction of the claimant's total annual wages, which have no consistent relationship to weekly wage levels. As of mid-1970, minimum benefit levels ranged from $3 to $25 and the maximum from $40 to $79. In the 11 states that provide higher benefits to thcse with dependents, the maximum payable ranged from $52 for single claimants to $114 a week for claimants with the maximum number of allowable dependents. An unemployed worker who had earned the national average weekly wage in covered employment in 1969 (about $135 a week) would, if eligible for UI, have received a weekly benefit ranging from $40 to $76 if he had no dependents (see Table 2). He would have been able to receive a weekly benefit equal to only 30-39 percent of his average weekly wages in 22 states, of 40-49 percent in 21 states, and 50 percent and over in only nine states. In all but two of the states with dependents' allowances, he could have received higher benefits.[13] Assuming that he had enough dependents, the added allowances would have increased from nine to 13 the number of states in which the benefit amount would have been 50 percent or more of his former wages.

The variability in the duration provisions is perhaps less marked and less evident. With the exception of Puerto Rico, every jurisdiction provides a statutory maximum of 26 or more weeks of benefits. However, only seven

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[13]In the District of Columbia and Maryland the maximum is the same with or without dependents.

Table 2

Weekly UI Benefit Amount and Potential Duration of Benefits Payable to an Eligible Unemployed Worker Earning a Weekly Wage of $135 as of July 5, 1970 by State[a]

State	Weekly benefit amount[b]	Percent of weekly wage compensated[b]	Maximum number of weeks full weekly benefit payable to unemployed worker	
			With 39-week base period	With 30-week base period
Alabama	$50	37	26	26
Alaska	[c]57(72)	42(53)	28	28
Arizona	50	37	26	26
Arkansas	50	37	26	26
California	65	48	26	26
Colorado	76	56	23	17
Connecticut	68(83)	50(61)	26	26
Delaware	65	48	26	26
District of Columbia	68	50	34	29
Florida	40	30	19	15
Georgia	49	36	26	20
Hawaii	71	53	26	26
Idaho	59	44	22	16
Illinois	45(68)	33(50)	26	26
Indiana	40(49)	30(36)	26	20
Iowa	61	45	26	22
Kansas	58	43	26	23
Kentucky	56	41	26	24
Louisiana	50	37	28	28
Maine	57	42	26	23
Maryland	65	48	26	26
Massachusetts	62(80)	46(59)	30	23
Michigan	53(75)	39(56)	26	22
Minnesota	57	42	26	21
Mississippi	40	30	26	26
Missouri	57	42	26	23
Montana	42	31	26	26
Nebraska	48	36	26	26
Nevada	47(62)	35(46)	26	26
New Hampshire	[c]56	41	26	26
New Jersey	69	51	26	22
New Mexico	56	41	30	30

Table 2 (continued)

State	Weekly benefit amount[b]	Percent of weekly wage compensated[b]	Maximum number of weeks full weekly benefit payable to unemployed worker	
			With 39-week base period	With 30-week base period
New York	$68	50	26	26
North Carolina	[c]52	39	26	26
North Dakota	54	40	26	26
Ohio	47(61)	35(45)	26	25
Oklahoma	49	36	26	26
Oregon	[c]55	41	26	26
Pennsylvania	60	44	30	30
Puerto Rico	46	34	20	20
Rhode Island	71(86)	53(64)	23	18
South Carolina	53	39	26	25
South Dakota	47	35	26	23
Tennessee	50	37	26	26
Texas	45	33	26	24
Utah	56	41	30	18
Vermont	61	45	26	26
Virginia	59	44	23	19
Washington	70	52	25	19
West Virginia	[c]45	33	26	26
Wisconsin	68	50	31	24
Wyoming	56	41	26	21

[a]Includes the District of Columbia and Puerto Rico.

[b]When two figures are given, the higher represents the amount for a claimant with three dependents.

[c]Weekly benefit amount shown for worker with 39 weeks of base-period employment; for worker with 30 weeks of employment, the weekly benefit amount would be $45 (or $60) in Alaska, $48 in New Hampshire, $46 in North Carolina, $51 in Oregon, and $37 in West Virginia.

states do so for all claimants, while the rest vary the duration of benefits through various formulas which relate potential duration to the amount of prior earnings or employment. As a result, a long-term unemployed worker with a given wage and employment pattern will fare differently in different states, especially if he was employed for less than three-quarters of the year.

To some extent, because of the nature of the formula used in certain states, the level of the weekly benefit amount will also affect duration, involving something of a tradeoff with higher weekly benefit amounts associated with fewer weeks of benefits. Taking our average wage worker again (at $135 per week), Table 2 shows the number of full weeks of benefit protection he could qualify for in each state as of July 5, 1970, assuming he had 39 or 30 weeks of work in his base period at the same wage. In all but seven states our worker with 39 weeks of base-period employment is assured benefits for 26 or more full weeks. With only 30 weeks of work, he would receive benefits for less than 26 weeks in 25 states and less than 20 weeks in seven states.

In Florida an eligible unemployed worker who earned $135 a week for 39 weeks in his base period would be entitled to only $40 a week for up to 19 weeks. A worker with exactly the same wage and work pattern would get $68 a week for up to 34 weeks in the District of Columbia. In Colorado he could draw $76 a week but for only 23 weeks at most. Such extremes convey little logic and operate to weaken the confidence of workers in the program's equity as well as adequacy. This unevenness in benefit protection in the different states is one of the UI system's major shortcomings. Minimum federal benefit standards could provide more even and better protection; but even if standards were enacted, they could not reach into all the areas in which the states differ. Only a uniform national system could accomplish this.

Continued attempts by the Truman, Kennedy, and Johnson Administrations and the efforts of organized labor have failed to secure the enactment of minimum benefit standards through federal legislation so as to obtain greater adequacy in both the amount and duration of benefits. The present Administration has thus far not sought such standards. However, while stating that there are advantages in state responsibility for determining benefit levels, President Nixon asserted in 1969 that "the overriding consideration is that the objective of adequate benefits is achieved. I call upon the States to act within the next two years to meet this goal, thereby averting the need for Federal action."[14]

During the recessions of 1958 and 1961, emergency federal programs temporarily extended the duration of benefits for workers exhausting state benefits. The extensions added half as many weeks as had been allowed by the states up to a maximum of an additional 13 weeks. Over 2 million bene-

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[14]In his message of July 8, 1969, transmitting proposals to the Congress relating to unemployment insurance.

ficiaries drew some additional benefits during 1958-1959 and 2.7 million during 1961-1962. Following that experience, there were repeated efforts to secure a permanent program of extended benefits during periods of high unemployment. Such a program was finally enacted as a part of the Employment Security Amendments of 1970.[15] The extended program, however, while raising the duration of protection during recession periods, actually will increase the variation between states. A claimant normally eligible for 16 weeks of benefits will be able to draw up to 24 weeks in all during a recession; a claimant normally eligible for 26 weeks will be able to draw up to 39 weeks, as will those normally eligible for more than 26 weeks in states that provide that much. The uniformity is imposed at the top, not at the bottom.

In 1969 the state UI laws covered over 52.3 million jobs.[16] Under the 1970 amendments, the federal-state system of UI will also be extended to cover 4,750,000 additional jobs. These include employment (with certain limitations) in small firms; in nonprofit organizations; in state hospitals, colleges, and universities; and certain lesser categories of presently excluded employment. These changes will result in greater uniformity and adequacy of coverage. About 12 million workers employed in agriculture, in private homes, and by state and local governments, however, will continue to be without unemployment insurance protection.

In order that the UI system may reach its maximum potential, coverage should be extended to all wage and salaried employees, and benefits should be made more adequate. It would be beyond the scope of this paper to attempt to determine and justify what would constitute adequate benefit amounts and duration. There is general agreement among administrators and students of the program that the weekly benefit amount should be at least 50 percent of the worker's former average weekly wages up to a maximum of at least 50 percent of average weekly covered wages in the state. The federal benefit standards recommended by the Kennedy and Johnson Administrations would have required maximums equal to two-thirds of the statewide averages of weekly wages. Some persons believe that benefit amounts should be supple-

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[15]An additional 50 percent duration of benefits up to a maximum of 13 weeks or a total of 39 weeks in all will be paid to any UI claimant who exhausts his state benefits in any period when the national insured unemployment rate has been 4.5 percent or more in three consecutive calendar months and until insured unemployment has dropped below that figure for three consecutive months. Extended benefits will also be paid in an individual state when its insured unemployment rate, averaged over a 13-week period, is 4 percent or more and constitutes at least 120 percent of the average rate in the comparable period of the preceding two years. These benefits will be financed on a 50-50 basis by the federal and state governments.

[16]*Handbook of Unemployment Insurance Financial Data,* 1969 (Washington: U.S. Department of Labor, Manpower Administration, Unemployment Insurance Service, July 1970).

mented by dependents' allowances in all states. State practice indicates that there is general agreement that a maximum benefit duration of at least 26 weeks should be provided. The Democratic Administrations recommended that a federal standard require the states to make this much duration available to all who qualify for any benefits.

Even if coverage were universal, and federal benefit standards such as recommended by the Democratic Administrations were enacted, unemployment insurance would continue to fall short of providing income support to all the unemployed, in amounts adequate to meet all their needs, and during all their unemployment. Such limitations are necessary in a public insurance program which must operate on the basis of specified provisions[17] and within specified contribution limits.

Interstate Coordination

The existence of separate state programs creates problems for workers who move across state lines in the course of their work or who move from a job in one state to a job in another. The states have dealt with the interstate problem to a degree by working out a series of interstate agreements with respect to coverage, qualifying conditions, and benefits.

One of the first problems faced by the state programs was the avoidance of duplication of coverage of workers employed in more than one state, such as traveling salesmen. A reciprocal arrangement was worked out which permits the employer to cover all the services of such a worker in a state in which any part of his service is performed, in which he resides, or in which the employer maintains a place of business.

More serious problems arose in connection with the payment of benefits to a worker moving from one state to another, or holding successive jobs in two or more states. The first administrative problem that was solved was to assure that benefits were not duplicated. Practically every state unemployment insurance law now provides that it will not pay any benefits to a worker who is receiving or seeking benefits under any other federal or state UI law.

A more difficult problem has been to assure that the worker will not lose benefits by having worked in two or more states, or by moving from the state in which he had worked to look for work elsewhere. The first step in the solution of this problem was an interstate plan under which each state serves as agent for other states in taking claims for unemployed workers who have moved to the agent state after having enough employment to qualify in the state from which they moved.[18] The next step was an interstate agreement

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[17]See pages 4-5.

[18]This plan was extended to Canada in a separate agreement.

under which a worker's wage credits earned in two or more states could be combined if he had not worked long enough in either state to qualify for benefits. This led to the further step of an "Extended Arrangement for Combining Wages," a plan to which almost all states have subscribed, which combines the wages earned in all states by an interstate worker who qualifies for benefits in one state if this would produce a larger benefit for him. The last development in voluntary agreements is the "Consolidated Wage Combining Plan," approved by the Interstate Conference of Employment Security Agencies in September 1968. In essence the plan provides that all the wages a claimant earned in the base period of the paying state, regardless of the state in which they were earned, may be used for establishing a claim in the paying state. As of March 15, 1970, 32 states had adopted the plan. The Employment Security Amendments of 1970 provide that a state may not reduce or deny benefits solely because an unemployed worker files a claim in or resides in another state or Canada; these amendments also require all states to participate in wage-combining arrangements which have the Secretary of Labor's approval.

While there has been good progress in assuring that interstate workers will not suffer loss of benefit rights because of the fragmented UI system, the interstate problem still imposes administrative headaches. In the three months January-March 1970, a total of more than 70,000 interstate claimants were paid one or more weeks of benefits. This was almost 5 percent of all beneficiaries. Such claimstaking and processing are cumbersome and expensive to administer and result in considerable delay in the payment of benefits. During the January-March quarter of 1970, half the UI beneficiaries who filed on an interstate basis were not paid for their first compensable week of unemployment until more than two weeks had elapsed since the first time of filing for that week.[19] This was true for only one-fifth of those beneficiaries filing intrastate. Such delays greatly reduce the usefulness of the benefits, which often are not paid until the claimant has returned to work. The high degree of worker mobility, the wide variation in amounts and duration of benefits and the eligibility conditions for their payments, and the additional paperwork and delays in the payment of benefits to interstate workers point up sharply the disadvantages of having 52 different agencies involved in these benefit operations. The railroad workers solved these problems by securing a federal program for their industry.

Coordination Between Programs

Coordination of the state UI laws with the federal programs for civilian employees and ex-servicemen has been achieved by providing that these workers will be paid according to the provisions of the state in which they

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[19] *Unemployment Insurance Statistics,* July-August 1970, Table 14b, p. 20.

file claims. Duplication of benefits paid to claimants who may file in more than one state is avoided by checking claims against a master file in the federal Unemployment Insurance Service of the Manpower Administration. There is little if any coordination of the federal-state UI system with the railroad unemployment insurance program. The need for it is minimal since most railroad workers work solely in the railroad industry: their benefits are so much more generous than state benefits that there is no inducement for railroad workers to seek to qualify for state benefits even if they have some credits for employment covered by the state law.

Trade Readjustment Allowances

The Trade Expansion Act of 1962 (TEA) provided for the payment of trade readjustment allowances (TRA) to workers who were unemployed as a result of increased imports due to a trade concession. These benefits were demanded by organized labor as a counterpart to the provisions of the Act for assistance to business firms which were adversely affected by trade concessions. Weekly trade readjustment allowances equal to 65 percent of an individual's average weekly wages up to a maximum of 65 percent of average manufacturing wages are provided. The allowances are payable for as long as 52 weeks, with an additional 13 weeks for workers 60 years of age or older, and an additional 26 weeks for workers taking training if more than a year is required to complete the training course. If a worker is seeking or receiving UI benefits, these are deducted from his TRA payments; the state is reimbursed for any UI benefits paid to him.[20] The cost of TRA is financed entirely out of general revenues of the federal government.

The Tariff Commission determines whether the allowances shall be paid for unemployment arising in any particular plant or industry, acting on petitions filed by employers or workers. As of February 17, 1971, 123 petitions for the payment of trade readjustment allowances had been filed with the federal Tariff Commission since 1962. Of these cases, the Tariff Commission had certified only 35, finding that the petitioners had not been adversely affected in 60 cases; 28 cases were pending.

The Automotive Products Trade Act of 1965 (APTA), which removed barriers to trade in automotive products between the United States and Canada, provided similar benefits to TRA. However, petitions for these benefits under APTA were reviewed by the Automotive Agreement Adjustment Assistance Board, composed of the Secretary of Labor, Secretary of Commerce, and Secretary of the Treasury. This board apparently was more sympathetic

[20]To qualify for trade allowances, the worker must have had some work in 18 months during the preceding three years, and in adversely affected work in six months during the last year.

than the Tariff Commission was. As of June 30, 1970, 23 petitions had been filed under APTA, of which 14 had been approved, seven had been denied, and two were pending.[21]

Statistics show that these trade-related programs have not resulted in TRA payments on a large scale. Allowances paid under both TEA and APTA as of August 1970 have totaled less than $7 million for only 4,025 workers.[22] These allowances present possibilities of duplication with UI benefits since rights are acquired outside the federal-state system. Administrative coordination, however, has not been difficult since the allowances are paid through the state unemployment compensation agencies. Also, since the allowances are usually higher in amount and longer in duration than UI benefits, a worker would normally file for them in lieu of UI benefits.

Despite the small number of workers benefited by these two Acts, the trade readjustment allowance program sets a possible precedent that might be broadly applied; namely, the provision by the federal government of income support outside UI for all unemployment that results from overt governmental action. If this idea were applied more broadly, it might provide, for example, for the payment of readjustment allowances to workers unemployed as a result of changes or cutbacks in expenditures for defense or space projects or hardware. Whether it is wise to single out such workers for special treatment is debatable. This would have important implications for the unemployment insurance program. If the payment of such readjustment benefits were to become widespread and at the higher rates and longer duration of TRA, it might stimulate the raising of state UI benefits to comparable levels, and thus increase income protection to all workers covered by unemployment insurance.[23] On the other hand, widespread readjustment benefits might lessen the support for improvements in UI by those unions whose members were eligible for the special benefits. It would seem more desirable to concentrate efforts on providing more adequate income support for all unemployed through unemployment insurance than to divert efforts to such special programs.

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[21]This Act expired on June 30, 1970. Provision for its extension was included in the foreign trade amendments (H.R. 18970) of the Ninety-first Congress, but this failed of passage. These amendments would also have increased TRA from 65 to 75 percent of average weekly wages, and they provided for certification by the President rather than the Tariff Commission.

[22]Data supplied to the author by the Unemployment Insurance Service, Manpower Administration, U.S. Department of Labor.

[23]In *Trade Expansion Act of 1962,* House Report No. 1818 (Washington: U.S. Government Printing Office, 1962), page 30, the Committee on Ways and Means attempted to draw a distinction between TRA and UI so that the higher TRA benefits would not set a precedent for UI.

Disaster Unemployment Assistance

This program was adopted primarily to provide cash assistance to many workers who are unemployed as a result of a major disaster. Enacted as Section 12 of the Disaster Relief Act of 1969,[24] the program was made retroactive to cover all major disasters which occurred after June 30, 1970, and on or before December 31, 1970.[25] Both wage and salaried and the self-employed are eligible for assistance.

Those workers covered by UI who are unemployed because of a disaster must first file for UI benefits. If such benefits are exhausted, they can then draw disaster unemployment assistance.[26] The weekly assistance amount is the greater of (a) the average weekly benefit amount payable in the state where the disaster occurred or (b) the weekly UI benefit amount payable if all the claimant's earnings had been covered under the state UI law. Assistance will be payable for the maximum duration provided under the pertinent state UI law. The amount of weekly assistance will be reduced by the amount of any state or federal unemployment compensation, MDTA training allowances, or trade readjustment allowances which the individual receives. The disaster assistance benefits are paid by the state employment security agencies under agreements with the Secretary of Labor. Thus there is complete coordination with other cash support programs for the unemployed.

Almost 46,000 applications for disaster unemployment assistance had been received by August 29, 1970, in connection with 18 disasters in 13 states. Almost $9.6 million had been paid in allowances as of that date to over 38,000 recipients.[27]

Income Support Programs for Other Risks

We now turn to programs that give income protection against disability or old age, but incidentally may provide some support to unemployed persons. These include temporary disability benefits, workmen's compensation for industrial accidents and diseases, federal old-age insurance benefits, public employee retirement systems, and veterans' compensation and pensions.

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[24]Public Law 91-79, approved October 1, 1969.

[25]The program was extended by Section 240 of the Disaster Relief Act of 1970 (P.L. 91-606), approved by the President on December 31, 1970.

[26]One state (Hawaii) extends the maximum duration of UI benefits allowed from 26 to 39 weeks during such periods.

[27]Data supplied to the author by the Unemployment Insurance Service, Manpower Administration, U.S. Department of Labor.

Temporary Disability Insurance

The most frequent, if not the most serious, wage loss suffered by workers is caused by inability to work due to temporary disability from illness or accidents that are not job connected. Thirty percent of the work force have disabling illnesses or injuries during the course of a year, and 15 percent of these disabilities are serious enough to require bed confinement or hospitalization. About three-fourths of temporary disabilities are for less than seven days. Nevertheless, it is estimated that, in 1968, $12,278 million was lost in wages and salaries by temporarily disabled workers.[28]

Recognizing the need for wage-loss protection during temporary disabilities, five states and Puerto Rico have enacted temporary disability insurance (TDI) laws. These plans covered about 14 million workers in 1968, including 6.7 million covered by private employee-benefit plans written in compliance with the state TDI laws. An additional 22.8 million were covered by other private employee-benefit plans.[29] Railroad workers are protected against temporary disability under the railroad unemployment insurance fund.

The state TDI systems differ in their methods of coordination with unemployment insurance. There is complete coordination in Rhode Island; the two programs are administered by the same agency, and they provide virtually the same coverage and the same benefits.[30] TDI in California covers agricultural workers and employees of nonprofit hospitals in addition to those covered by UI, and pays higher benefits for temporary disability. In Hawaii TDI has a somewhat broader coverage than UI, and weekly benefit amounts are higher; otherwise, the benefit provisions are coordinated with UI. In New Jersey there is the same coverage and same benefit formula, except that the benefit formula for unemployed workers who become disabled is somewhat different; the combined duration of benefits for unemployment and disability is limited to 150 percent of the duration to which the worker is entitled under either program. In both California and New Jersey the state employment security agency administers the state disability fund and supervises private plans. In New York both the benefits and coverage are different from UI, and the TDI law is administered by the state workmen's compensation board; there is no administrative coordination of the two programs except that a check is made to determine whether unemployed TDI claimants are receiving UI benefits.

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[28]Daniel N. Price, "Income Replacement During Sickness," *Social Security Bulletin,* January 1970, Table 1, p. 22.

[29]Walter W. Kolodrubetz, "Employee Benefit Plans in 1968," *Social Security Bulletin,* April 1970, Table 1, p. 38.

[30]Exceptions are that state employees are covered by UI but not by TDI, and employees of hospitals are covered by TDI but not by UI.

Disability during unemployment. Of particular concern to us in this discussion is the need for income protection when a worker becomes ill or disabled while unemployed. In Rhode Island no distinction is made between disabilities beginning during employment and those beginning during unemployment. In California, while there is no distinction as to entitlement, benefits paid to persons who become disabled during unemployment are charged to a special account in the state fund, to which employers who have private plans in lieu of the public plan must pay a contribution equal to a small percentage of payroll. Hawaii, New Jersey, and New York have special funds for the payment of disability benefits to unemployed workers. New Jersey and New York have stricter limitations on eligibility for benefits when a worker becomes disabled during unemployment. In Puerto Rico benefits under a private plan may be paid for disability beginning during a period of unemployment. Workers protected by private temporary disability plans usually lose their eligibility if laid off for two or more weeks.

When there is no protection against a certain type of risk, there is a tendency for some other insurance program to fill the vacuum. Thus, 10 states without TDI programs continue payment of UI benefits if a worker becomes temporarily disabled while drawing benefits, at least until he is offered suitable work. Until all states have a temporary disability insurance law, it would be desirable for all states to provide for the continuation of UI benefits if the unemployed worker becomes temporarily disabled, at least until he has an offer of suitable work. This is the humane thing to do, even if it runs counter to the principle that a worker should be able to work and available for work while drawing UI benefits. This takes on added importance because most temporary disability plans provided by employers do not continue protection during unemployment. On the other hand, it should be realized that only a limited number of workers will benefit from such continuance of UI during disability since only a small fraction of disabilities occur during unemployment. Provision for the continuation of UI benefits should not, however, become a substitute for the enactment of a full TDI system.

Unemployment of women workers during pregnancy. Except for the railroad program, all the laws restrict the payment of TDI benefits to covered workers during pregnancy and after childbirth. New Jersey limits benefits to four weeks before the expected delivery and four weeks thereafter, and prevents duplication with UI by disqualifying a woman for UI benefits during this period. Rhode Island provides a lump-sum payment up to $250 upon childbirth. California pays TDI benefits only if the woman worker is disabled 29 or more days after childbirth. New York and Puerto Rico pay no benefits for disability occurring after the termination of pregnancy and not until the claimant has had at least two consecutive weeks of covered employment. In Hawaii pregnancy is not a compensable disability except when complications occur resulting in total disability.

This lack of uniformity in treatment of disability due to pregnancy is general in the UI laws as well as in the state TDI laws. Thirty-eight of the state UI laws specifically restrict benefits in varying ways during pregnancy and after childbirth. In other states claimants in this condition may simply be ruled not available for or not able to work and disqualified from benefits on these grounds. Income protection through disability payments or maternity benefits during and after pregnancy is badly needed by women workers when pregnancy and childbirth result in inability to work. Such benefits would relieve the pressure on UI to fill this gap in income (inappropriately).

Workmen's Compensation

Workmen's Compensation (WC), i.e., compensation for accidents or illness arising out of employment, is one of our most important forms of income maintenance. In 1969 over $1.7 billion was paid out in cash benefits under the workmen's compensation system, plus another $920,000,000 for hospital and medical costs, whereas unemployment insurance payments amounted to nearly $2.3 billion.[31]

Workmen's compensation presents the possibility of duplication with unemployment insurance, but the problem is probably not of large proportions since in most cases a worker drawing WC would be disqualified for UI benefits under the requirement that he be able to work and available for work. To the author's knowledge, no study has been made of the extent of duplication of WC and UI benefits.

In the case of workmen's compensation, four kinds of disability must be distinguished: temporary partial, temporary total, permanent partial, and permanent total. The state UI laws differ in their treatment of these four kinds of disability. In the case of temporary partial disability, 20 states reduce or deny UI if a worker is drawing workmen's compensation. But it may be that, although the partial disability prevents the worker from working at his usual job, he may still be able to do other types of work. If he wants to work and is able to work but cannot find a job, there is a real question whether complete denial of UI because of the receipt of partial disability benefit is justified.

In cases of temporary total disability, 16 states either deny or reduce UI benefits by the amount of workmen's compensation. In such cases no statutory provision is necessary since, if totally disabled, a worker would be ruled as unable to work and so ineligible for UI benefits. Apparently, most of the states have not felt the necessity for such legislation.

In the case of compensation for permanent partial disability or permanent total disability, there is little or no justification for denial or reduction of UI

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[31] *Social Security Bulletin*, September 1970, Table M-1, p. 32.

benefits on the grounds of duplication of benefits. The sole test should be the worker's ability to work. If a worker loses an arm in an accident and through retraining is again able to find work and subsequently becomes unemployed, he should not be denied UI benefits merely because he is still receiving workmen's compensation which in effect is an indemnity for a permanent injury. Only two states deny and one state reduces UI benefits for permanent partial disability; four states deny and three states reduce UI for permanent total disability. Such provisions should be eliminated in these states.

Old-Age Insurance Under the Social Security Program

Practically every regular worker covered by unemployment insurance is also covered by the old-age, survivors, disability, and health insurance programs (OASDHI) under the Social Security Act.[32] A limited number of Social Security old-age beneficiaries file for unemployment compensation. A sample survey during 1961-62 in 13 states showed that 7 percent of the UI claimants were also receiving a Social Security retirement benefit. The proportions in different states varied from 3 to 9 percent.[33] However, probably less than half of the UI claimants drawing Social Security old-age benefits file for both benefits immediately upon retirement. According to a study made in New York, only 11 percent of those who had voluntarily retired applied for a pension in the same month in which they filed an original claim for UI benefits; about a third of the involuntary retirees applied for both benefits in the same month.[34] About three-fourths of the voluntary retirees and one-fourth of the compulsory retirees filed for UI benefits a year or more after retiring. In short, this study indicated that most pensioners who file for UI benefits have worked and earned enough since retirement from an earlier job that they are eligible for benefits when they subsequently become unemployed.

Duplication of benefits. Social Security old-age beneficiaries' filing for UI benefits raises the issue whether duplication of benefits should be permitted. The Social Security Board originally recommended against duplication, and 44 state laws at first provided for reduction of the UI benefit for any Social Security benefits received. However, most of these provisions were repealed,

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[32]The disability benefits paid under OASDHI are not included in this discussion since presumably none of the beneficiaries are able to work. The disability provisions of the OASDHI program apply only to long-term severe disability and are payable only after six months of disability.

[33]*The Long-Term Unemployed: Comparison with Regular Unemployment Insurance Claimants,* Special TEUC Report No. 3 (BES No. U-225-3) (Washington: U.S. Department of Labor in cooperation with Georgia Department of Labor, November 1965), Table 13a, p. 94.

[34]New York Department of Labor, Division of Employment, *Pensioners and Unemployment Insurance,* February 1960.

so that at one time only 10 states had such provisions. The number has increased of late and as of August 1970, 15 states reduce UI benefits by the amount of old-age Social Security benefits received, and one state (Oregon) denies UI benefits if an old-age beneficiary has voluntarily retired from the labor force.

There are a number of considerations in determining whether or not duplication of Social Security and UI benefits should be permitted. Some believe that duplication should be prevented as a matter of principle, and in the interest of conservation of public funds. Sentiment against duplication becomes especially strong if the combined benefits exceed the worker's former income. But Social Security benefits, in most cases, represent a small fraction of the worker's former earnings and are far below the level of income generally considered necessary to keep the person out of poverty. Even when supplemented by industrial pensions, the incomes of beneficiaries are often inadequate. Accordingly, large numbers of persons work to supplement their benefits. Out of the 9.6 million old-age beneficiaries 65 to 72 years old on January 1, 1969, 3 million had some earnings in 1968, of which 1.4 million had earnings above $1,680.[35]

The principal objection to workers' drawing unemployment compensation and old-age benefits simultaneously arises when they file for both benefits upon retirement, especially if their retirement is voluntary. However, as has already been indicated, only a small minority do this. The majority of pensioners who claim UI benefits have worked subsequent to the employment on which their pensions are based.

In another paper this author has taken the position that it is inequitable to reduce a UI payment, to which the otherwise eligible claimant is entitled, by any type of pension payment.[36] One exception was made to this conclusion: if a worker voluntarily retires to receive a pension, he should be disqualified from UI benefits for the duration of the unemployment resulting from such voluntary quit until he has been reemployed long enough to demonstrate that he is genuinely in the labor market. In other words, if, after retirement, a worker earns all the wages or works the amount of time required to qualify for UI benefits, there should be no objection to his drawing both old-age and unemployment benefits. Twenty states take this position and only disqualify the worker for UI benefits if his qualifying employment or wages were with the employer from whom he is drawing a private pension.[37] The

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[35] *The Retirement Test under Social Security,* House Document No. 91-40, 91st Cong., 1st sess. (Washington: U.S. Government Printing Office, 1969), Table 1, p. 7.

[36] Merrill G. Murray, *Should Pensioners Receive Unemployment Compensation?* (Kalamazoo, Michigan: The Institute, 1967), 39 pp.

[37] Another 14 states, however, reduce UI benefits if the claimant is receiving payments under the pension plan of any employer.

case for permitting duplication of benefits is further strengthened when, despite good health and unimpaired faculties, a worker is unemployed because he has reached the age of compulsory retirement as stipulated by his employer.[38]

Gap between unemployment and old-age insurance protection. An opposite problem to that of duplication of benefits is the problem of those who are "too old to work and too young to retire." Because of age restrictions on hiring older workers, large numbers of older workers become permanently unemployed. In general, older workers, as long as they are employed, have greater job security than younger workers because of seniority provisions, etc. But once they are laid off, they have greater difficulty finding employment again. In 1969, 6.1 percent of the male unemployed who were 20 to 24 years of age were unemployed 15 weeks or more, 15.2 percent of those 25-44; and 22.7 percent of those 45-64.[39] For older workers in their forties and possibly early fifties, especially those displaced by technological developments, readjustment to a new occupation and possibly retraining are recognized as the answer. But as workers approach their sixties, such readjustment becomes more and more unrealistic.

The problem of early forced retirement has been recognized in connection with Social Security benefits. First, women, in 1956 and then, men, in 1961, were made eligible for actuarially reduced benefits at age 62. About one-half of the new male beneficiaries and two-thirds of the new female beneficiaries are awarded reduced benefits.[40] A survey in 1963, however, showed that only 18 percent of the male beneficiaries 62-64 had retired because of layoff from work or discontinuance of their jobs and an additional 3 percent had been compulsorily retired. On the other hand, 53 percent had retired because of ill health.[41] Thus, the lower retirement age meets health problems more frequently than unemployment problems. In the Social Security Amendments of 1967, the Senate lowered the pensionable age to 60, but this was stricken out in conference with the House.

Should the duration of unemployment insurance benefits for older workers be increased to close the gap between the time a worker becomes permanently unemployed, and in effect is retired, and the time when he can draw old-age retirement benefits? Under the trade readjustment allowance program, beneficiaries aged 60 or over are eligible for an additional 13 weeks of benefits, or for a total of 65 weeks of benefits. The railroad unemployment insurance

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[38]Murray, *op. cit.*, gives a fuller discussion of these questions.

[39]*Manpower Report of the President,* 1970, Table A-20, p. 238.

[40]*Social Security Bulletin,* September 1970, Table Q-6, p. 63.

[41]Palmore Erdman, "Retirement Patterns Among Aged Men: Findings of the 1963 Survey of the Aged," *Social Security Bulletin,* August 1964, Table 13, p. 9.

system provides, in effect, for older workers by extending benefits for workers with long years of service.

In 1965 Senator Jacob Javits introduced an amendment to S. 1991, an unemployment compensation bill of which he was a cosponsor, which would have continued the proposed federal "readjustment" or extended benefits to claimants 60 years of age or older until they reached age 65 and were fully qualified for Social Security benefits, if the following conditions were met: (1) the Secretary of Labor had certified that the claimants' skills were obsolete, that they resided in a redevelopment area under the Area Redevelopment Act, and that they possessed no skills for which there was a demand in such area, and (2) they were registered at the nearest public employment office. In 1966 the Senate added the Javits amendment to H.R. 15119, the UI bill which eventually died in conference committee.

The question is whether the gap between an older worker's last employment and attainment of retirement age should be filled by UI as the Javits amendment would have provided, by Social Security, or by some other program. Certainly, before there is recourse to an income maintenance program, every attempt should be made to find reemployment for the older worker. This may entail retraining or resettlement of the worker. For many older workers who have spent their working lives in one occupation or who have been permanently displaced in an isolated community, the possibilities of reemployment or relocation are practically nil, and the advantages of retraining correspondingly miniscule. Some extension of UI benefit duration based on long and substantial prior employment, such as was proposed in the Administration UI amendments of 1965,[42] would be feasible and desirable; however, extension beyond a total period of more than 52 weeks would be out of character with the UI program, which was designed to protect against short-term unemployment primarily. It would be more logical to lower the retirement age for Social Security benefits (with an actuarial reduction in the amount of benefits) for those workers who have in effect been retired from the labor force.[43] There are limitations, however, to this; the age for eligibility for Social Security benefits could not be lowered below 60 without reducing the amount of benefits to meaningless amounts. Possibly the only solution that would really meet the problem of the older displaced person is a public

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[42]H.R. 8282, 89th Cong.

[43]Earlier retirement might be allowed for those in dangerous occupations or occupations involving arduous labor (underground miners, structural steel erectors, etc.). Some foreign systems do this. Also, early pensioning of firemen and policemen is a precedent.

service program for such individuals, including white-collar as well as blue-collar jobs.[44]

Retirement Benefits for Public Employees

Possibilities also exist for duplication of UI benefits with retirement benefits for public employees. These benefits have become of increasing importance among public income maintenance programs. Retirement and disability benefits under the federal civil service retirement system totaled over $2.3 billion in 1969; other government retirement benefits, including military and state and local government, totaled over $5.5 billion. There were 636,000 annuitants under the federal civil service system in December 1969.[45]

Duplication of federal civil service retirement benefits with UI benefits is of particular importance because of the program of Unemployment Compensation for Federal Employees (UCFE). In a survey made by the U.S. Comptroller General in the District of Columbia during the week ending February 7, 1959, it was found that 36 percent of 1,610 former federal employees drawing UCFE were civil service retirees. Of these, 298, or 18.5 percent, had retired voluntarily. Secretary of Labor James P. Mitchell, in a letter to the Comptroller General, dated August 9, 1960, said that a survey made by his department covering the entire year 1958 had shown that 23.8 percent of the claimants in the District of Columbia were retirees, but that only 7.4 percent of the claimants for the whole country were retirees and only 3.4 percent had retired voluntarily.[46] The Comptroller General recommended that employees who have voluntarily retired and are drawing civil service annuities be disqualified from drawing UCFE benefits. The Secretary of Labor opposed this recommendation on the ground that many civil servants who retire voluntarily do not necessarily intend to retire from the labor force. For example, workers may leave civil service when a government agency moves to another city. Nevertheless, in 1962, Congress amended the District of Columbia UI law to prohibit the payment of benefits under that law to former federal civilian employees who had voluntarily retired. In the author's view, as indicated above in connection with Social Security benefits, it would have

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[44]The Ninety-first Congress included provisions for a large program of public service employment for workers who cannot be placed in private or regular public employment as a part of a comprehensive manpower bill, but this was vetoed by the President in the closing days of Congress. A bill designed to create 200,000 public service jobs was introduced in the early days of the Ninety-second Congress.

[45]*Social Security Bulletin,* September 1970, Tables M-1 and M-3, pp. 32, 34.

[46]*Unemployment Compensation,* Hearings before the Committee on Finance, U.S. Senate, 87th Cong., 1st sess., on H.R. 4806 (Washington: U.S. Government Printing Office, 1961), pp. 160-169.

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been sounder to have provided that this prohibition would not apply if the worker qualified for UI benefits through non-civil-service employment.[47]

The possibility of duplication of state and local government pensions with UI benefits has been small because only a limited number of state and local government employees are covered under UI laws. The coverage under state UI laws of almost a million jobs in state hospitals and institutions of higher education, as required by the Employment Security Amendments of 1970, will increase the possibility. The same principle with regard to duplication of UI with pensions that was enunciated above should apply to any state or local government annuitants.

Veterans' Benefits

There are two principal types of veterans' benefits for income support: "compensation" for service-connected disabilities, partial or total; and "pensions" for non-service-connected permanent and total disabilities.[48]

The amount of veterans' compensation for service-connected disabilities increases with the severity of the disability, ranging from $25 a month for a 10 percent service-connected disability up to $450 for a 100 percent disability. Benefits for specifically listed disabilities range from $47 to $784 a month. There is no reduction for other income.

Veterans' pensions are paid to veterans with 90 or more days of wartime service if they are permanently and totally disabled for reasons not traceable to service. The pensions paid are in reverse relation to income, with higher amounts going to veterans with low income and more dependents. The pensions range from $29 to $110 a month for single persons, and from $34 to $130 for persons with three or more dependents. No pension is paid if other income is $2,000 or more when the veteran is without dependents and if other income is $3,000 or more when the veteran has dependents. Veterans 65 years of age and over are considered permanently and totally disabled. Veterans on the pension rolls on June 30, 1960, who chose to continue under the law then in effect, receive flat-rate pensions, if their income does not exceed specified limits.

In July 1970 almost 2.7 million veterans were receiving compensation and almost 1.1 million were receiving pensions; the total amounts received

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[47]Congress had expressed such a restricted policy in the Temporary Unemployment Compensation Act (Public Law 87-6, approved March 24, 1961).

[48]The unemployment compensation program for ex-servicemen, described on page 11 is a much smaller program.

for the fiscal year 1970 were almost $2.4 billion and over $1.3 billion, respectively.[49]

Since veterans' compensation is paid to veterans with partial disabilities and it is possible for some with permanent and total disabilities to be rehabilitated so that they can work again, veterans drawing veterans' compensation or pensions may be able to secure employment in work covered by unemployment compensation and acquire rights to unemployment compensation when unemployed. The number of veteran pensioners who file claims for unemployment compensation, however, is not large. A sample survey of claimants in Washington State, made in 1961, found only about 1 percent of the claimants were drawing a military pension of any type.[50]

Fourteen states reduce UI benefits because of pensions received from any employer. Eight of these states specifically exempt veterans' pensions, and three of the eight specifically exempt compensation for service-connected disabilities.

The two types of veterans' benefits require separate consideration insofar as the treatment of duplication with UI benefits is concerned. In the case of veterans' compensation for service-connected disabilities, there is no reduction for other income. This reflects public policy that compensation for these disabilities, incurred in service to the country, is essentially indemnity for these disabilities. It should be noted, however, that a large proportion of such veterans' compensation is for disabilities that do not prevent the veteran from engaging in employment. But since unemployment compensation is paid as a matter of right without regard to need, and is based on the wages paid in covered employment, it would be inconsistent to take such veterans' compensation into account in determining the amount of unemployment benefits.

Veterans' pensions are somewhat different. Since they are paid for *non-service-connected* permanent and total disabilities, the federal government, as an expression of public policy, takes other income into account. Unemployment insurance benefits are counted as such other income, so that the pension may be reduced by any UI benefits received.[51] This is more consistent than for UI benefits to be reduced on account of the receipt of a veteran's pension, since the latter is essentially a relief program.

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[49]*Statistical Summary of VA Activities* (Washington: Veterans Administration, July 1970).

[50]*Pensioners Among Claimants Drawing Unemployment Compensation* (Olympia, Washington: Employment Security Department, Research and Statistics Section, November 1962), 25 pp.

[51]In answer to an inquiry, the Veterans Administration informed the author that wages and salaries are counted as income, and unemployment compensation is considered income received in lieu of a salary.

Manpower Development and Training Act Allowances

The above-mentioned programs are programs whose sole purpose is to provide income maintenance to cover certain risks. We now turn to a program in which income maintenance is auxiliary to the main purpose, the training or retraining of unemployed workers.

Unemployment insurance was unable to deal adequately with the persistent long-term unemployment that emerged more prominently in the late 1950's, especially in certain areas and industries. For the unemployed with unmarketable skills in their local areas, UI benefits by themselves were obviously not the answer. Technological change, especially automation, was then widely held to be a significant factor in the problem. Increasingly, retraining and relocation of workers displaced through technological change received more attention as possible solutions, and help for depressed areas received first priority. The persistent efforts of Senator Paul H. Douglas over a period of many years finally resulted in the enactment of the Area Redevelopment Act (ARA) in 1961, which included a provision for training the unemployed in depressed areas for the new industries that hopefully would be induced to locate in those areas. Because almost all the states barred claimants in training from UI benefits, and since many of the unemployed in the depressed areas had already exhausted UI benefits, provision was made for training allowances. The first federal training allowance program, therefore, developed in connection with ARA.

It was recognized that the problem of displaced workers was not confined to the depressed areas. In the following year the Manpower Development and Training Act (MDTA) was enacted to provide training throughout the country. At first, the MDTA program focused chiefly on regular workers who were dislocated from long-standing jobs due to structural change and who faced the prospects of indefinite unemployment unless they could be relocated or retrained.

In 1964 the government moved into the war on poverty and shifted the emphasis in MDTA training programs to the poor, the disadvantaged, and especially the young. In recent years relatively few of the unemployed who entered MDTA training programs have been UI claimants. In 1968 and 1969 fewer than 10 percent of the trainees enrolled in institutional courses had been UI claimants; this compares with 32 percent in 1963 and 23 percent in 1964.[52]

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[52] *Manpower Report of the President,* 1970, Table F-5, p. 308.

Individuals in training under the MDTA are entitled to receive training allowances if they have had at least a year of gainful employment, or have satisfactorily completed a Neighborhood Youth Corps program within the six months preceding entry into training, or live in a redevelopment area.[53]

About 80 percent of the 135,000 MDTA institutional trainees in fiscal 1969 were eligible for allowances.[54] The regular weekly training allowance is equal to the state's average weekly unemployment compensation payment. If the trainee is entitled to a higher unemployment benefit, his allowance is paid at the higher level. In addition to the basic amount of a regular training allowance, a trainee may receive an allowance of $5 a week for each dependent beginning with the third; allowances are paid for a maximum of six dependents. After the tenth week of training, regular allowances are increased by $10 for single trainees and by $5 for trainees who receive only $5 for a single dependent. The aggregate allowance paid an individual may not exceed 80 percent of the statewide average weekly wage in covered employment. Allowances are not reduced for Social Security and similar benefits even though such reductions may be required under some state unemployment insurance laws. Youths without a year of work experience who are enrolled in a special youth program receive youth training allowances equal to the basic regular training allowance without augment or increase. Training allowances for on-the-job trainees are reduced 1/40th for each hour of compensated training. The allowances are payable for a maximum of 104 weeks if the training lasts that long. Transportation allowances are paid to commuters and subsistence allowances to those living away from home.

MDTA provides that training allowances would not be payable if an individual is seeking or receiving UI benefits. Since a worker is not required to file for UI benefits to which he is entitled, he can avoid this bar by simply applying directly for training allowances instead. The potential UI claimant has many inducements to do this. He cannot lose by doing so, since his training allowance will never be less than the UI benefit to which he is entitled. He may gain by applying for the training allowance if he has more than two dependents. Also, by first drawing training allowances, the UI claimant can preserve his UI rights for possible use after the completion of his training if his training is of fairly short duration.

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[53]Training allowances ordinarily may not be paid to (1) a member of a family or household in which the head of the family or household is employed, (2) any member of a family or household when the head thereof has terminated his employment for the purpose of qualifying such member for training allowances, or (3) more than two members of a single family or household, except trainees on projects for redevelopment area residents.

[54]*Manpower Report of the President,* 1970, Table F-5, p. 308.

If a trainee does receive UI benefits and is eligible for training allowances, MDTA provides for reimbursement of the paying state. The burden of providing income maintenance to trainees is accordingly completely shifted from UI to the MDTA program. Is this a wise policy? The public employment service is financed from UI funds on the justification that it can expedite reemployment and thus reduce the amount of UI benefits that otherwise might be paid.[55] Likewise, the use of UI instead of MDTA funds to finance training allowances for insured workers who become unemployed would seem to be justified since the training is designed to increase their employability and reduce their vulnerability to unemployment. Such use of UI funds would release MDTA appropriated funds for more trainees who are not insured. In view of the pressures to limit federal appropriations, this may become a consideration of increasing importance.

An argument against paying UI benefits to those eligible for them, rather than paying MDTA allowances, is that many UI claimants would be penalized. The benefits of some would be lower than MDTA allowances. Also, a goodly proportion of UI claimants would eventually exhaust their UI benefits and have to transfer to training allowances before their training is ended. Any proposal to pay the cost of allowances during training out of UI funds, particularly if the allowances would be higher or for longer periods than UI benefits, would encounter the opposition of most employers because of the possible effect on their experience-rated taxes. Unless a shortage of MDTA funds creates pressures to finance training allowances for UI claimants from UI funds, the advantages of doing so, in this author's opinion, would not be worth the effort that would be needed to effect the change in view of the small proportion of trainees who are eligible for UI.

Before leaving the question of whether training allowances should be financed by UI, another development should be considered. Before MDTA was enacted in 1962, only three states permitted continuation of UI payments if a claimant undertook training. In other states it was argued that if a claimant went into training, he was no longer available for work and therefore was ineligible for benefits. Since the passage of MDTA, about one-half of the states have altered their laws or the interpretations of their laws to provide that a claimant can continue to receive UI benefits while he is taking training approved by the UI agency. The Employment Security Amendments of 1970, as of 1972, will prohibit all states from denying UI benefits to a claimant taking approved training. At first blush, it might appear that such a provision is unnecessary in view of the availability of training allowances

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[55]The Employment Security Amendments of 1970 call for limiting the financing of employment service costs by UI taxes to those costs associated with services for the UI program. Some persons, however, believe that all employment service costs should be financed from general revenues rather than from UI tax revenues.

under MDTA. However, not all the claimants who want to take MDTA training are eligible for training allowances. Some may wish to take training not provided under MDTA. Also, MDTA might be modified or even discontinued, so that claimants taking training might still need UI benefits. The new national policy that UI benefits must be continued during training reenforces the justification given above for UI rather than MDTA financing of training allowances for the insured unemployed.

The linking of the *amount* of the training allowance to the statewide average UI payment needs examination. The average UI payment in 1969 varied from a low of $30 in North Carolina ($26 in Puerto Rico) to a high of $56 in Connecticut.[56] These differences in no way reflect differences in the cost of living. For example, the index of comparative living costs based on a lower budget for an urban four-person family in 1969 was 96 in Denver, in Dallas, and in Lancaster, Pennsylvania (United States average urban cost = 100),[57] while the average UI benefit and, therefore, the standard training allowance was $51 in Colorado, $38 in Texas, and $46 in Pennsylvania. In any event, the average UI payment has no direct relation to income maintenance needs of the trainee. It may be more reasonable to structure the training allowance on a basis more related to the trainee's income needs. This would, however, be a difficult technical task. Also, it would make it difficult to coordinate training allowances with UI benefits.

Although the Employment Service endeavors to locate a job for each person as soon as he completes his training, these efforts are not always successful; and the person may experience a period of unemployment before finding a job for which his training has fitted him. A few whose training is completed in a short time may still be eligible for UI benefits based on some earlier employment, but the great majority of trainees have no income protection if they do not step immediately into a job.

With the increase in unemployment in 1970, the Manpower Administration recognized that trainees would find it more difficult to find employment and, if placed in jobs, would be the first to be laid off. Therefore, in August 1970, that administration created the Supplemental Training and Employment Program (STEP) to operate in areas experiencing serious increases in unemployment. The State Employment Service refers unemployed trainees to public agencies and private nonprofit institutions for work experience suited to the employability plans of the trainees. STEP participants work a full 40-hour week and are paid 90 percent of the prevailing wage for the occupation, not to exceed $2 an hour. Participants are assigned for a 13-week period and can

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[56] *Unemployment Insurance Statistics*, April 1970, p. 8.

[57] *A Guide to Living Costs* (Atlanta, Georgia: U.S. Department of Labor, Bureau of Labor Statistics, undated), Table 4 (processed).

be reassigned for an additional 13-week period if not placed in full-time employment.

Since STEP operates only in areas of serious unemployment, many trainees elsewhere may be unemployed for a period after completing training. Consideration should therefore be given to the continuation of income support, at the training allowance level, for a temporary period — say 13 weeks — after completion of training while the trainee is looking for work. For the trainee who does find work but then loses his job before he has worked long enough to qualify for UI benefits, there might also be provision for some additional income support, at the former training allowance level, for a maximum period of 13 weeks.

Poverty Programs

In the early 1960's the attention focused on the poor in the midst of plenty by Michael Harrington's *Poverty in America*[58] aroused the American conscience. President Lyndon B. Johnson dramatized the feeling that something should be done to reduce poverty by announcing the "War on Poverty," embodied in the Economic Opportunity Act of 1964. This Act provided for a multiple attack on poverty; the main emphasis was on continued education and training for work as a means of giving the poor the opportunity to escape poverty through employment. For those unemployed poor entering such programs, income support was provided. Much of the effort focused on disadvantaged youth.

New and modified programs have been developed through amendments to the Economic Opportunity Act and through administrative changes. There have been so many shifts in the programs, and changes in the emphasis placed on them, that it is difficult to give a current picture of what they are accomplishing. The programs selected for consideration are the manpower programs providing income support in association with public employment or training, or a combination of the two. These include the Neighborhood Youth Corps, the Job Corps, and the smaller New Careers and Operation Mainstream programs.[59]

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[58]New York: Macmillan Company, 1963.

[59]The Concentrated Employment Program is not included because its approach utilizes a variety of components of other programs and because it is primarily a selection process for orientation, basic education, work experience, and other types of job training. The new Job Opportunities in the Business Sector (JOBS) program is not treated because it is a job creation and placement program for the disadvantaged. The Work Incentive Program (WIN) is treated on pages 44-45.

Description of Programs

Neighborhood Youth Corps (NYC). In 1964 NYC was established to alleviate the acute problem of high rates of school dropouts and unemployment among youths, especially in inner-city ghettos. It serves impoverished youths 14-22 years of age who are school dropouts or potential dropouts.

There are two programs: inschool (including a related summer program), and out-of-school. The inschool and summer programs are basically work and income programs to encourage youths to remain in school until they obtain a high school diploma. Youths 14-18 years of age attending the ninth to 12th grades of school are eligible. Most of the funds are used to pay enrollees' wages. For the inschool program, although a maximum of 15 hours of work a week was authorized, an average of only 11 hours has been provided in order to spread funds to as many students as possible. The rate of pay is $1.25 an hour, which was the federal minimum wage when the program started. Work assignments have consisted of various chores around the schools, such as helping in the office, classroom, and library, or performing custodial duties. The principal value of the program has been to keep youths in school through financial assistance, counseling, and encouragement.

The summer program is related to the inschool program; it provides work for school-age youths, almost all of whom attend school during the rest of the year. There is little counseling or remedial education, but the youths are given an opportunity to earn money and make a contribution to their communities through beautification work; work in hospitals, libraries, and local government offices; recreational programs; and other useful activities. Although a maximum of 28 hours of work a week was authorized, an average of 24 hours has been provided for eight weeks. Pay is at the rate of $1.25 an hour.

The out-of-school NYC program serves those youths who have dropped out of school and are unemployed. Until recently, the aim of the program was more to engender work habits than to teach vocational skills. The enrollees were placed on useful community work; most of the girls were assigned to clerical and health work, while most of the boys were assigned to maintenance, custodial, conservation, or beautification work. Although on-the-job training with private employers was authorized by the 1966 amendments, apparently little or no training of this kind has been done. Thirty-two hours per week were authorized, but enrollees averaged 28 hours. Pay rates have been between $1.40 and $1.60 an hour. The average enrollment in the out-of-school program has been about four months.

The program was completely redesigned in 1970 to provide education, skill training, work experience, and supportive services such as health care for 16- and 17-year-old dropouts. When possible, dropouts will be persuaded to return to school, or if the dropouts have the potential and desire for eventual

admission to a community college or postsecondary trade school, this will be given priority. If further education is not appropriate, the trainee will be given training in a salable skill or trade, or if this is not appropriate, he will be prepared through work experience for, and placed in, the best unskilled or semiskilled entry job of which he is capable. All trainees are given some work experience, but such work is not to occupy more than a third of their time. The trainees may be scheduled up to 40 hours a week of education, training, and work experience. Time spent in work experience will be paid at the minimum or prevailing wage. Compensation for training time will be at the rate of three-fourths of the basic MDTA institutional training allowance, with a minimum rate of $26 for a 40-hour week.

Youth enrollment under these three programs in fiscal 1969 totaled 504,100. For fiscal 1970, 423,500 youths were budgeted to be enrolled.[60] A supplemental appropriation in May 1970 raised this above 500,000.

Job Corps. This program is intended to provide education and training for young men and women aged 16 to 21 who are severely disadvantaged because of low educational achievement and little or no occupational skill and whose work and training potentials can be developed by a change from adverse home or neighborhood environments. To achieve this purpose, the Job Corps established residential centers to provide intensive education, vocational training, work experience, counseling, and medical attention. Since corpsmen are provided subsistence, shelter, clothing, and medical care, cash income maintenance is only $30-$50 a month. Payments are on a sliding scale, increases being used as an incentive for retention, training progress, etc. On separation from the Corps, a readjustment allowance of $50 is provided for each month of enrollment to program completers and all who stayed six months or longer.

As employment opportunities in general improved, Job Corps enrollees tended to be younger. During April-June 1967, 56 percent of the enrollees were 16 and 17 years old. In June 1967, 54 percent were black. During fiscal year 1968, a total of 65,000 individuals enrolled in the Job Corps.

In 1969 the Job Corps was restructured and transferred from the office of Economic Opportunity to the U.S. Department of Labor. Both the number of centers and enrollment were sharply reduced with the stated purpose of closing the less effective centers and introducing new types of centers to provide training and work experience in the youngsters' home areas. As of August 16, 1969, the number of Job Corps centers had been reduced from a level of 108 to 48, including 32 conservation centers, four large urban centers for men, 11 smaller urban centers for women, and a cluster of 18

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[60] *Manpower,* July 1970, p. 28.

YWCA centers for women. Total enrollment in fiscal 1969 was 53,000; for fiscal 1970, 48,200 youths were budgeted to be enrolled.[61]

While reducing the number of existing centers, the Department of Labor planned to open 20 new residential manpower centers. Eleven of these had been opened or were to be opened by the end of 1970, and nine were in a developmental state. When all the centers are opened, they will have a capacity of 26,000.[62]

These centers are smaller than the older type of centers, ranging in their capacity from 200 to 350, and are intended to accommodate youths who live in the local area. Because of their local orientation, their training can be geared to the demands of the area labor market and can provide a residential program adapted to enrollee characteristics and needs. In addition, seven residential support centers (one of which had been opened by November 1970) are planned for youths with severe personal problems who are unable to participate successfully in regular school or vocational training. Special attention will be given to their personal problems. These centers will have an average enrollment of 30.

New Careers. This program has the dual purpose of increasing employment opportunities for disadvantaged adults 22 years of age or over and helping to relieve the shortage of personnel in occupations related to health, education, welfare, neighborhood redevelopment, and public safety. Subprofessional and paraprofessional work experience, education, and training are provided. Enrollees are paid the federal or state minimum wage or the local prevailing wage for the occupation, whichever is highest. The Manpower Administration contracts with local nonprofit and government sponsors for the operation of projects. The sponsoring agency is expected to guarantee employment to the enrollee upon completion of training.

The program has encountered resistance by professionals reluctant to allow entry to their occupations in any way other than that through which they gained entrance. Also, federal, state, and local civil service regulations hamper effective implementation in public agencies.

The New Careers program was made a component of the new and larger Public Service Careers program in fiscal 1970. More emphasis is to be placed on enrolling youths, with the minimum enrollment age reduced to 18 years. The number enrolled in fiscal year 1969 was 3,800; under the expanded program, 26,100 were budgeted to be enrolled in fiscal 1970.[63]

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[61] *Loc. cit.*

[62] Joan Williams, "Making the Job Corps More Flexible," *Manpower,* November 1970, pp. 10-13.

[63] *Manpower,* July 1970, p. 28.

Operation Mainstream. This program, originally termed the Community Work and Betterment Program, provides adult employment and training in rural areas. It is public employment designed for the betterment and beautification of local communities. Enrollees must be at least 22 years of age, poor, and unemployed or underemployed. The primary focus of the program is on senior citizens. The program is administered nationally by the Manpower Administration, but in the states is frequently operated by highway and forestry departments. One segment is operated by tribal councils on Indian Reservations. Participants are paid the federal minimum wage or the local prevailing wage and usually work 40 hours a week. There were about 200 projects employing approximately 13,000 persons in fiscal 1968. In fiscal 1969, 11,300 were enrolled; for fiscal 1970, an estimated 12,200 persons were budgeted to be enrolled.[64]

Table 3

Enrollment in Work and Training Programs Under the Economic Opportunity Act at the End of Selected Months, 1969-1970

(in thousands)

Program	Number of enrollees				
	1969				1970
	Jan.	April	July	Oct.	Jan.[a]
Neighborhood Youth Corps					
Inschool and summer	99.9	101.6	356.4	96.1	103.9
Out-of-school	45.7	47.5	37.1	31.3	32.1
Job Corps	32.9	29.8	18.4	18.9	19.5
New Careers	3.3	3.4	3.4	3.7	3.8
Operation Mainstream	8.1	10.2	10.9	12.8	12.3

Source: Manpower Report of the President, 1970, Table 2, p. 59.

[a]Preliminary.

Contributions to Income Support of the Unemployed

The poverty programs that have just been described, with the exception of Operation Mainstream, are not designed to provide income support for the poor *per se.* Rather they are designed, through training or work, or both, to assist the poor in lifting themselves out of poverty into productive, well-

[64]*Loc. cit.*

paying employment. This is why the legislation authorizing these programs was titled "The Economic Opportunity Act."

Operation Mainstream comes the closest to being essentially an income support program for the unemployed. The support is provided through employment at prevailing wages on a full-time basis. The median age of those employed is 50. Many are retired farmers or other retirees drawing Social Security benefits, who restrict wages earned to the amount permitted without loss of such benefits. Also, most of the work is in rural areas where there are few opportunities for private employment. The program is, therefore, essentially a public work relief type of activity reminiscent of the Works Progress Administration (WPA) relief projects of the 1930's.

New Careers is essentially an on-the-job training program. Since permanent employment is promised at the end of the training, it should not be classified as an income support program for the unemployed.

The inschool and summer Neighborhood Youth Corps programs are designed not for the unemployed, but for high school students on the margin of dropping out of school. These students are provided some income from work with the hope that they will stay in school and not swell the ranks of the unemployed.

Both the out-of-school Neighborhood Youth Corps program and the Job Corps are designed for unemployed youth. The NYC out-of-school program until recently was designed to give school dropouts income and work experience until they could find normal employment. With its new emphasis on education and training and the substitution of allowances for wages, income maintenance will be subordinated, as in the Job Corps. The Job Corps is primarily a program to provide basic education and training in a skilled occupation, but during training it also provides subsistence in cash and kind. It is more important as a training program, however, than as an income maintenance program for unemployed youth.

Relationship of Poverty Programs to Unemployment Insurance

There remains for consideration the relationship of these programs to unemployment insurance. The principal question is whether the time spent in training or work under these programs might be counted as employment covered under UI.

With respect to the Neighborhood Youth Corps, the money earned in the inschool and summer programs is too small by itself to be meaningful even if it were covered by unemployment insurance. With respect to the reorganized NYC out-of-school program, credit toward eligibility for UI benefits might be given for time spent in education and training, as is discussed below with respect to the Job Corps.

For a youth in the Job Corps, employment and wage credit toward eligibility for UI benefits might be provided by counting time spent in the Job Corps as covered employment. In addition to the $30-$50 a month allowance that is paid, wage credit for the cost of subsistence, shelter, clothing, and medical care might be allowed, as is done in the program of unemployment compensation for ex-servicemen, so that a meaningful "wage" might be established on which unemployment compensation could be based. Then the corpsman could be made eligible for unemployment compensation in place of the readjustment allowance of $50 a month now provided for each month of enrollment. If a corpsman were to get a job immediately on leaving the Corps and be laid off before he could establish eligibility for unemployment compensation on the basis of that job, he might use the credit he accumulated as a corpsman or might combine his Corps credits with wage credits earned on that job. A question can well be raised, however, whether it would be consistent to give such credit if this were not done for persons taking MDTA institutional training, especially since the present plans are to place more disadvantaged youths in MDTA institutional training rather than in Job Corps centers. It would be difficult to justify giving credit toward UI eligibility for time spent in MDTA institutional training because the income from training allowances that would have to be used for wage credit is essentially a UI payment, and is often paid in lieu of UI. Wages paid to a trainee under MDTA on-the-job training are treated as employment covered by UI since wages are paid for actual work on a job; but this can be distinguished from institutional training allowances. It would appear that continuance of the Job Corps readjustment allowance of $50 for each month a corpsman was enrolled is more suitable than coverage under UI. The allowance should be increased substantially, however, and paid monthly on demonstration that the youth is in school or actively seeking work.

It would be more feasible to give UI benefit credits to enrollees under the New Careers program, which operates virtually as on-the-job training. Since trainees are guaranteed employment upon completion of training, the wage and employment credits earned during training could be combined with credits earned in a subsequent job. Most jobs will be in state or local government or in private nonprofit agencies. Coverage would be practical only if these agencies were covered by unemployment insurance.[65]

Operation Mainstream comes the closest of any of the programs under consideration to providing income comparable to that in private competitive employment, paying as it does the federal minimum wage or the local prevailing wage for a 40-hour workweek. However, the program is essentially

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[65]The Employment Security Amendments of 1970 provide for the coverage of employees in nonprofit organizations and in state hospitals and institutions of higher education.

a work relief program, designed primarily to provide income maintenance. It would, therefore, be difficult to justify covering work in Operation Mainstream under UI. Continuation of work under Operation Mainstream as long as necessary would be a better solution.

Public Assistance Programs

Cash assistance is needed by many of the unemployed who are not covered by unemployment insurance, whose UI benefits are inadequate, or who have exhausted their benefits. No provision for public assistance for the unemployed was made in the Social Security Act of 1935. At the time that the Act was being planned by the Committee on Economic Security, the emphasis on relief for the unemployed was being shifted from cash assistance to public employment under the Works Progress Administration. This shift was made on the belief that cash relief over a period of time was demoralizing; the WPA program was justified as resulting in useful public work. It was also, no doubt, based on the American ethic of the virtue of work.

Provisions were recommended and included in the Social Security Act for federal grants-in-aid to state programs of public assistance, but these were restricted to categories out of the labor force: the aged, dependent children, and the blind. No provision was made for federal grants of cash relief for the unemployed. The aged and the blind were considered unemployable, as were the totally and permanently disabled for whom an additional federally aided public assistance program was later established. The Aid to Dependent Children (ADC) program was designed essentially for children in families in which the father was dead, incapacitated, or absent, and the mother was not working. The presence of an employable man in the household was sufficient to disqualify the family from ADC even though he could not find work.

Welfare and the Unemployed

All states have adopted assistance programs for which federal aid was available; but, in their general assistance programs, many jurisdictions have not provided for aid to those who are employable. In 17 states no state or local general assistance is provided (except in a few emergency situations) to needy families if there is an unemployed father or another employable adult person in the family. In some states financial aid by the state is available to local jurisdictions for public assistance to unemployed persons, but some of the local jurisdictions in these states still deny relief to the unemployed. Also general assistance payments, when they are made, are usually quite low. In the United States as a whole, payments under general assistance in July 1970 averaged only $54 a month per person receiving this assistance. The highest payment per individual was $109 in New Jersey, and the lowest was

$5 in Arkansas. The total number of persons receiving general assistance in July 1970 was 921,000,[66] and only a small fraction of these were employable.

In 1961 the tide began to turn with respect to the exclusion of the unemployed from public assistance. Widespread unemployment early in that recession year revealed that UI was far from supporting all the unemployed and that the man-in-the-house exclusion under ADC was working severe hardships on families with an unemployed male head. For the states that did provide general assistance, the financial burden was severe. Accordingly, when Congress passed the Temporary Extended Unemployment Compensation program to carry UI claimants for longer periods, it also amended the ADC program to allow states to provide federally assisted aid to families with an unemployed parent present.[67] The change was not a mandatory one, and the states have only slowly adopted this course. As of June 1970, only 23 of the states had done so. In these states some 99,100 families with an unemployed parent received assistance that month.[68]

There are a number of reasons why so many unemployed parents are drawing AFDC instead of UI benefits. In part, it is a coverage problem. Many of the jobs not covered by UI — especially in agricultural employment and domestic household service—are low paying and irregular, and a good proportion of the workers who have such jobs are poor. And many unemployed persons qualifying for UI benefits are unemployed so long that they exhaust their UI rights and must seek public aid.

Work Incentive Program (WIN)

Throughout the 1960's, welfare programs became increasingly controversial. The AFDC segment, for many reasons, has grown larger, counter to the downward trends that occurred regularly in the past when overall employment was rising. Criticism has consequently centered on that program. Congress attempted to grapple with this problem in various ways during this period. The major direction taken was to encourage AFDC adult recipients, mostly welfare mothers, to undertake training for employment so that they might become as self-supporting as possible.

The Social Security Amendments of 1962 provided for federal matching of state funds to finance Community Work and Training (CWT) programs for the recipients of AFDC-UP. These programs were designed to provide,

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[66]*Social Security Bulletin,* December 1970, Table M-26, p. 41.

[67]The program was renamed "Aid to Families with Dependent Children" (AFDC); for that part of the program designed to aid states which made families with an unemployed parent eligible, "Unemployed Parent" was added to the title (AFDC-UP).

[68]National Center for Social Statistics, Report A-2, June 1970.

in addition to work relief, various services that would help rehabilitate the welfare recipients. However, by 1964 when the Economic Opportunity Act was passed, only 10 states had begun CWT programs. Title V of that Act was therefore designed to provide for an expanded Experience and Training Program which would be available not only to AFDC recipients but also to other needy employable individuals who could not qualify for public assistance under the stringent eligibility rules. It was expected that widespread use of the program would be encouraged through the 100 percent federal financing that was made available. The results of this program were disappointing, however, largely because the subtraction of all earnings (in most cases from the AFDC payments) destroyed incentive to work. In addition, the program did not prove to be very effective in providing education and training to its participants.

The 1967 amendments to the Social Security Act created the Work Incentive Program (WIN) to overcome the deficiencies of the two earlier programs, which were to be phased out. The WIN program seeks first to assist an enrollee in obtaining employment. If the enrollee cannot immediately be placed in employment, he may be placed in training. If neither employment nor training can be arranged, the enrollee is to be placed on a special work project. WIN provides incentives for participation by specifying that there shall be no reduction in the AFDC allowance for the first $30 in monthly earnings and for one-third of the balance. Enrollees in classroom, institutional, or work-experience training receive an incentive payment of $30 a month in addition to AFDC allowances. Child care and expense allowances related to the participation of the enrollee in the WIN program are also provided. All adult members of families, as well as youths over 16, who are recipients of AFDC are eligible for WIN services.

When WIN became fully operational, after fiscal 1969, the target population was the estimated 1.4 million recipients of AFDC over 16 years of age. The number enrolled in fiscal 1969 was 80,600 and the cumulative total as of April 1970 was 153,000. More than 72,000 were still being trained in April, nearly 27,000 were at work, and more than 53,000 had dropped out. Problems of administrative coordination between agencies, state and local participation in financing, inadequate child-care arrangements, and difficulties in setting up special work projects for those who cannot be placed in regular employment — these and other problems have hampered the program.[69]

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[69] "WIN Report — Problems, Progress, Prognosis," *Manpower*, September 1970, pp. 8-13.

Proposed Family Assistance Plan[70]

President Nixon, in an address to the nation on August 8, 1969, declared that the present welfare system is a failure. He pointed out that aid outlays under the AFDC program had tripled since 1960; that the number of recipients had more than doubled; but that benefits were still inadequate in most states. He also pointed out inequities in the program: (1) that AFDC payments varied from $39 for a family of four in Mississippi to $263 for such a family in New Jersey; (2) that in none of the states in a family where the father is working full time and the mother is in the home can the family be eligible for AFDC even though the father's earnings are below the poverty level, and in half the states families headed by unemployed males are ineligible for AFDC; and (3) that it is possible for a working family to be worse off than a family on public welfare.

In October 1969 President Nixon followed this address with detailed proposals to Congress for sweeping reforms in the welfare system.[71] These proposals were incorporated in H.R. 14173 which was passed in the spring of 1970 by the House of Representatives in modified form as H.R. 16311. Most important was the proposed replacement of the AFDC program with a federal Family Assistance Plan (FAP) which would assure a floor of income for all families with children who cannot adequately support themselves. The Senate Committee on Finance, in which there was strong opposition to FAP, reported only a pilot plan to be tried out on an experimental basis. Even this, however, was removed from the Social Security bill in the final days of the Ninety-first Congress in an effort to break a legislative logjam. The FAP proposal was given first priority in President Nixon's legislative program for the Ninety-second Congress.

Features of FAP. FAP calls for federal payments that could total $500 a year for each of the first two members of an incomeless family plus $300 for each additional member. For a family of four with no income, payments would total $1,600 a year. If there are earnings from employment of a family member, the first $720 would be disregarded, and the payment would be reduced by 50 percent of the earnings above $720. Income from work would be supplemented until earnings reached $3,920 a year. In addition to cash

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[70]In the following analysis, the author has avoided taking a position for or against the soundness or desirability of FAP.

[71]Committee on Ways and Means, U.S. House of Representatives, *The President's Proposals for Welfare Reform and Social Security Amendments of 1969,* Committee Print (Washington: U.S. Government Printing Office, 1969), p. 45.

payments, the family would be eligible for food stamps.[72] Each state with an AFDC payment level that would be above the family assistance level would have to agree to supplement family assistance payments up to the higher level for those eligible under the current AFDC program.[73] All but eight of the states would have been in this position in 1969.

Families with children would be eligible for FAP payments on the basis of income deficiency alone, regardless of whether family members were employed, unemployed, or unable to work. Under the FAP proposal of the Administration, some assistance would be paid to an estimated five million families, including nine million adults and 16 million children.[74]

Under the FAP proposal employable adult members of a family receiving payments would be required to register with public employment offices for training or work, with certain exceptions including mothers with children under six years of age. Refusal by such persons to accept suitable work or training would result in denial of payments to them, although payments would continue for other family members. Training and child care programs would be expanded to make it possible for those who can work to do so. Supplemental payments of $30 a month would be paid to those undertaking training, except that participants in MDTA institutional training would receive in addition the difference between the FAP payment and MDTA training allowance.[75]

It will be recognized by those familiar with such plans that FAP is similar to negative income tax plans, except for its limitation to families with children, its supplementation in states paying higher AFDC, and its requirement

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[72]On February 24, 1971, John G. Veneman, Under Secretary of the Department of Health, Education, and Welfare, presented a revised plan to the House Committee on Ways and Means, which would provide a basic $2,200 annual federal allowance for a family of four, but would exclude the family from food stamps. Since details are not available on this revised plan and the Committee on Ways and Means has not taken action on this revised plan as this goes to press, the original Administration plan and the bill (H. R. 16311) as passed by the House in 1970 will be used in discussing the FAP plan.

[73]Under the bill passed by the House (H.R. 16311), the state would receive a federal grant equal to 30 percent of such supplemental aid.

[74]*Manpower Report of the President,* 1970, p. 155.

[75]In addition to the changes in the FAP made by the Administration in 1971 as indicated in footnote 72, the Administration proposed an $800-million plan to create 225,000 city and state public service jobs in which adult welfare clients would be placed if no private jobs were available. The federal government would pay the full first-year cost, and the states would pay 25 percent of the cost the second year, and 50 percent the third year. Press reports did not indicate how this would be tied in with the training program for welfare recipients.

that recipients accept training or suitable work. Most of the considerations for and against such plans would apply to FAP.[76]

FAP and the unemployed. To what extent would FAP fill the present gaps in income maintenance for the unemployed? In trying to arrive at an estimate, it must be kept in mind that FAP will cover only families with children and that it is aimed principally at mothers on AFDC, most of whom are not now in the labor market, and at low-income employed parents, many of whom experience some unemployment during the year. Because of its income limitations, FAP would assist only a fraction of the unemployed. An analysis for 1968 indicates that no more than 10 to 15 percent of the 11.3 million persons with any unemployment during that year would be eligible for FAP payments as members of poor families (see Appendix A).

A small fraction of the unemployed living in poverty are eligible for UI; most of those who receive UI benefits are above the poverty level. To begin with, only a limited proportion of all the unemployed receive any UI benefits (see Table 1, page 6). The great majority of the insured unemployed tend to be out of work for short periods. Most of them work fairly steadily throughout the year. Most male UI claimants have earnings that by and large place their families above the poverty line. Although the earnings of female claimants are considerably lower, in most cases other earners in their families make their combined family income higher than the poverty level. Probably most of the adult unemployed among agricultural and household workers are in poverty, but they are not covered by UI. Also among the poor are many long-term unemployed who have exhausted UI and many hard-core unemployed adult male family heads, never eligible for UI, who have withdrawn from the labor force and are no longer counted among the unemployed.

FAP and unemployment insurance. If the proposed plan were adopted, based simply on a deficiency of income from a statutory standard, what should be the relationship of UI to such assistance? Now, AFDC payments are reduced by any amount of UI benefit that is received. Under the Administration proposal, the family assistance payments would also be reduced but only by one-half the amount of UI benefits received.[77] Thus, UI benefits would be treated essentially the same as wages, but the exemption from reduction of the first $720 in wages would not apply to UI benefits. The justification given

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[76]For a critical analysis see Christopher Green, *Negative Taxes and the Poverty Problem* (Washington: The Brookings Institution, 1967); and George Herbert Hildebrand, *Poverty, Income Maintenance, and the Negative Income Tax* (Ithaca: New York State School of Industrial and Labor Relations, Cornell University, 1967).

[77]FAP would be reduced by the amount of any annuity, pension, or disability benefit that is received (including any veteran's benefit, workmen's compensation, OASDHI, and railroad retirement).

for this treatment is that UI benefits are deferred compensation for previous work. This author has the same view.[78]

H.R. 16311 as passed by the House of Representatives in 1970, however, would have reduced the FAP payments by the total amount of UI benefits received. The psychological situation under this change would be entirely different. The unemployed person would be entitled to FAP payments as a right, hopefully without the stigma attached to a public assistance payment. There would, therefore, be no psychological or social advantage in his receiving UI benefits. He would probably, therefore, forego the bother of applying for UI benefits, unless these benefits were higher, and would instead claim FAP in full. If the law were so framed that he must first apply for UI benefits, he would look on UI as a nuisance, rather than as a superior form of compensation.

The family assistance payment would often be more adequate than the UI payment, which would be low because of the low earnings of most of those eligible for FAP.[79] On the other hand, since FAP would be based on some measure of prior annual income, the net FAP payable might be scaled down to levels below UI benefits, especially for small families. In any case, since the family assistance payments, even if supplemented by food stamps, would be only about two-thirds of what is needed to avoid poverty, the UI benefit could help fill the gap.

There would be many more UI beneficiaries eligible for FAP than there are UI beneficiaries who also draw public assistance today. This is largely due to the present restrictions in state and local welfare programs on payment of public assistance to employables. Since FAP is definitely designed to assist employables and to help them find employment, much larger numbers of its beneficiaries would qualify for UI. The problem of coordinating UI with FAP would therefore be much more important than is the problem of coordinating UI with public assistance today.

There is no indication in the bill or in the House committee report how administrative coordination of UI with FAP would be effected. Presumably, the receipt of UI benefits would have to be declared on the application form for FAP. There could be arrangements for checking UI recipients against FAP rolls through computerized procedures so as to apprehend FAP claimants who do not report the receipt of UI benefits.

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[78] *The Role of Unemployment Insurance Under Guaranteed Minimum Income Plans* (Kalamazoo, Michigan: The Institute, June 1969).

[79] This might happen more frequently in the states now granting AFDC payments higher than those proposed under FAP because those states would be required to supplement FAP up to their present levels of AFDC payments.

Exclusion of childless couples and single persons from FAP. The FAP proposal would not apply to the poor single adults or married couples without children; only food stamps would be available to them from the federal government. According to the Social Security Administration's poverty index in 1966, there were 4.4 million poor married persons without children and 2.1 million unrelated poor individuals under 65 years of age.[80]

It may not be politically feasible at this time to cover married persons without children and single persons under FAP because of the cost and because public attention is now centered on the AFDC program. If FAP or some similar guaranteed income program is adopted, it should eventually be extended to childless couples and single persons. This was recommended in the report of the Commission on Income Maintenance appointed by President Lyndon B. Johnson in January 1968.[81]

General Assistance for the Unemployed

In a third of the states and in a number of localities in other states, as has previously been pointed out, families with employable persons are not eligible for public assistance.

If the FAP proposal is adopted by Congress, this deficiency will largely be overcome for families with children. As just discussed, however, childless couples and single persons will not be eligible for FAP. Therefore, even if FAP were adopted, general assistance should be made available in all states and localities to all needy unemployed persons who are not or are inadequately protected by UI or other programs. The assistance granted in many states is now very low and should be increased to adequate levels. It is unlikely, however, that either coverage or amount of assistance will be very much improved by state or local government action. Probably these changes can come about only through a comprehensive reform of the entire public assistance program in which general assistance is incorporated into a noncategorical public assistance program such as was proposed by the Advisory Council on Public Welfare in 1966.[82]

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[80] Mollie Orshansky, "The Shape of Poverty in 1966," *Social Security Bulletin,* March 1968, Table 2, p. 5.

[81] *Poverty Among Plenty: The American Paradox,* November 1969.

[82] *Having the Power, We Have the Duty,* Report of the Advisory Council on Public Welfare to the Secretary of Health, Education, and Welfare (Washington: June 29, 1966).

This Council was appointed in July 1964 by the Secretary of Health, Education, and Welfare, under a congressional directive included in the Public Welfare Amendments of 1962.

III. Summary and Conclusions

Unemployment insurance was designed to be the principal income support program for workers who lose their jobs, and it does indeed play this role. It does not, however, provide for all unemployed persons, nor does it provide adequately for most of its recipients. Programs of income maintenance for those who have lost their income for other reasons, principally disability or old-age retirement, also provide income to some who suffer income loss due to unemployment. Other programs have been developed to provide income maintenance for those unemployed who are in training for employment. Certain antipoverty programs whose aim is training or employment, or both, have income maintenance aspects. Public assistance exists as a relief program for the needy, but aid to needy families with dependent children is available to families with an unemployed parent in only about half the states, and general assistance is not available to employable persons in many states and local jurisdictions. Finally, under consideration by Congress is a plan for a basic minimum income for all families with children, which would bring a measure of support to 10 to 15 percent of the lowest income unemployed persons, most of whom are not eligible for unemployment insurance benefits.[1]

The fragmentation of programs that provide income support for the unemployed causes differences between programs in terms of their purposes, benefit levels, coverage, eligibility conditions, etc., and thereby produces confusion and some inequities. Fragmentation also presents problems of duplication of benefits and of administrative coordination. The limitations of the programs in their scope and coverage leave large numbers of the unemployed with no income support at all.

In considering these problems, certain principles or assumptions have governed. The first is the assumption that most of the unemployed need income support. Second, if a person is in need of income due to wage loss from unemployment through no fault of his own, he has a right to public support. Third, unemployment insurance is the basic program to provide income support for the unemployed. Fourth, in order to preserve its values as an insurance program, UI has certain limitations. Fifth, because of these limitations, it is necessary (a) to develop programs to meet special needs of the unemployed and (b) to provide public assistance to meet the needs of those who are not provided for by UI or other programs. Sixth, duplication of support from two or more programs should be minimized.

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[1]A summary of the size and scope of these various programs is given in Appendix B.

Unemployment Insurance

Because of exclusions from its coverage, restrictive eligibility and disqualification provisions, and limitations on the duration of benefits, UI provides protection for only about a third of the unemployed in prosperous times and not much more than half of them in periods of recession. Protection could be increased through expanded coverage, more adequate amount and duration of benefits, and less stringent requirements for the receipt of benefits. Also, because of the fragmentation of the UI system into 55 programs, protection is quite uneven. Protection could be scaled upward through federal minimum benefit standards. Nevertheless, even if all possible improvements were made in the UI program, its protection of the unemployed cannot be complete because of the limitations necessary to preserve its values as an insurance program.

Even though unemployment insurance (except for railroad workers, federal civilian workers, and ex-servicemen) is administered through 52 different state programs, protection has been fairly completely coordinated among them for interstate workers through voluntary state action. The separate federal programs for federal civilian workers and ex-servicemen have been coordinated with the state programs by providing benefit rights according to the UI laws of the state in which those protected by those programs worked or filed claims. Railroad unemployment insurance exists apart; but since few railroad workers have employment outside the railroad industry, coordination problems with other UI programs are minor. By extending coverage and by requiring all states to coordinate interstate arrangements fully, the Employment Security Amendments of 1970 will lessen some of the problems of fragmentation within the federal-state UI system.

Trade Readjustment Allowances and Disaster Unemployment Assistance

The program for Trade Readjustment Allowances (TRA), under the Trade Expansion Act of 1962 and the Automotive Products Trade Act of 1965, is directly competitive with unemployment insurance. This program provides for benefits to workers unemployed as a result of the adverse effects of trade agreements. Benefits are higher in amount and longer in maximum duration than most state UI benefits. Duplication of UI benefits with TRA is prevented through administration of the TRA program by state unemployment insurance agencies; any UI payment is deducted from the readjustment allowance. Because of the limited number of petitions that have been filed and approved, only a small number of workers have been actually paid TRA and, therefore, there has been little impact on the level of UI benefits. If the idea of federal "readjustment compensation" for unemployment caused by government policy

were extended to include, for example, unemployment caused by changes in defense and space procurement, the implications for UI would be serious.

A program of Disaster Unemployment Assistance was enacted in 1969 to provide cash assistance to persons who become unemployed as a result of a disaster. The self-employed as well as all wage and salary workers are eligible. The weekly amount of assistance is the basic MDTA institutional training allowance payable in the state, and it is payable up to the maximum duration allowed for UI benefits in the state. The assistance is reduced by any UI, Trade Readjustment Allowance, or MDTA allowances received. Payments are made through the state employment security agency so that there is coordination with the other benefits mentioned above.

Disaster Unemployment Assistance and Trade Readjustment Allowances are examples of the fragmentation that occurs when the basic unemployment insurance program is inadequate. TRA was secured by organized labor because of the inadequacies in amount and duration of UI benefits. Disaster Unemployment Assistance was enacted because of the limitation in coverage and rigidities in eligibility requirements of UI.

Income Support Programs for Other Risks

When we turn to social insurance programs other than UI (including Temporary Disability Insurance; Workmen's Compensation; and the federal Old-Age, Survivors, Disability, and Health Insurance program), many possibilities of duplication of benefits with UI arise.

Only five states, Puerto Rico, and the railroad industry have public programs of temporary disability insurance for non-work-connected disabilities. With one exception, these states provide for the administration of UI and TDI by the same agency, thereby preventing duplication or the provision of very similar or identical benefits. The other and more serious problem for UI results from the lack of public TDI in most states. Some states without TDI legislation fill this gap to some extent for unemployed workers by providing that UI claimants can continue to draw UI benefits while disabled if they are not offered suitable work during their disability. While this meets a small part of the total need, it requires the modification of a basic UI principle that only workers able to work should receive UI benefits. The real answer in this area is the enactment of public temporary disability insurance covering all workers throughout the nation.

Although workmen's compensation for wage loss due to industrial accidents and diseases presents the possibility of duplication with UI benefits, such duplication is probably small. Temporarily but totally disabled persons are disqualified from UI benefits by their inability to work. About one-half of the states reduce or deny the UI payment if a worker is drawing work-

men's compensation for temporary disability. If the UI claimant is only partially disabled and able to do some work, reduction of his benefits by the amount of workmen's compensation is justifiable, but total denial of benefits seems unjustified. In cases of the very long-term payment of workmen's compensation for permanent disability, whether partial or total, a few states reduce the UI benefit by the amount of workmen's compensation. However, if the disabled worker has been able through rehabilitation or otherwise to resume employment and has qualified for UI on the basis of such employment, there is no justification for reduction or denial of UI benefits. There appears to be general agreement on this, as only a few states reduce or deny UI in such cases.

In the case of old-age insurance benefits paid under the Social Security program, a small but significant percentage of UI claimants have been drawing such benefits. Almost a third of the states reduce the amount of UI benefits by the amount of the old-age insurance benefit received, but the rest of the states disregard such payments. In most cases of pensioners drawing UI, it has been found that the UI payments are based on employment subsequent to the claimant's becoming an old-age insurance beneficiary. If such is the case, and especially if the individual was forced to retire through lack of employment or by compulsory retirement clauses, there is good reason to disregard such duplication of benefits. The same considerations should apply to public retirement benefits.

Large numbers of older workers, after exhausting their UI benefits, are unable to find further employment because of their age and must wait, perhaps for years, before they are able to commence drawing reduced Social Security benefits at age 62. One way of meeting their needs would be to extend their UI benefits to cover up to 52 weeks of unemployment, but payment of UI for more than a year would be out of character because this program was designed chiefly to protect against short-term unemployment. Some persons believe that the qualifying age for Social Security benefits should be lowered to 60, or even less. If the old-age benefits were actuarily reduced, however, the resulting benefit amount might be so small as to be meaningless, especially if the pension began below age 60. Possibly the only solution for displaced older workers, if retraining is not feasible, is a public employment program for them, such as the one which was passed by the Ninety-first Congress.

Retirement benefits for public employees are becoming increasingly important among income maintenance programs. Surveys have shown that there is some duplication between federal civil service retirement benefits and UI benefits for federal civilian employees. Duplication of such benefits should be prohibited except when the worker has qualified for UI benefits through non-civil-service employment. The possibility of duplication of UI with state and

local government retirement benefits will increase with the extension of coverage under state UI laws of employment in state hospitals and institutions of higher education as provided under the Employment Security Amendments of 1970.

Veterans' disability benefits also present areas where there is a possibility of dual income support for unemployed workers. Only a few states reduce or deny UI benefits, however, if the worker is in receipt of a veteran's benefit. If the veteran's disability is only partial and he is able to continue working, or if through rehabilitation he is again able to work, his veteran's compensation continues. If he subsequently works in covered employment and loses his job, UI benefits should be paid without regard to the other compensation. In the case of veterans' pensions which are paid to those with low income for non-service-connected permanent and total disability, the pension act provides that UI benefits will be taken into account along with other income in determining whether or not the veteran is entitled to a pension. Reduction of the pension is more appropriate than adjustments in UI benefits since the pension is essentially based on need.

MDTA Institutional Training Allowances

Careful thought went into the coordination of UI with institutional training allowances provided under the Manpower Development and Training Act. MDTA prohibits duplicate payments. Even though eligible for UI, a trainee normally will file for the MDTA training allowance since it will equal the UI benefit amount to which he is entitled. He can also draw higher training allowances if he has more than two dependents. The burden of income maintenance for trainees eligible for UI is thus shifted to MDTA.

Gearing MDTA institutional training allowances to the average weekly amount of UI benefits paid in each state assumes interstate differences in wage levels. As a national program, it can be argued that the training allowances should be uniform throughout the country, that is, adjusted for differences in the cost of living in different parts of the country. The variation in average UI payments in fact relates only accidentally to variations in living costs.

MDTA institutional training allowances can be paid up to two years if the training continues that long — a much longer period than UI pays. This difference can be justified, however, since many trainees would be unable to complete their training if allowances were terminated before the end of their training.

Although payment of training allowances to insured workers from UI funds could be justified on the grounds that the training increases the employability of the claimants, such a change would be of no advantage to the trainees. It

could be to a trainee's disadvantage if his MDTA training allowance had been higher than the UI benefit or had been paid for a longer period. Unless financial stringencies in MDTA funds make it necessary, such a change should not be seriously considered.

At the time the Manpower Development and Training Act was passed, all but three of the state UI laws denied UI benefits to a worker if he undertook training on the argument that he was no longer available for work. It has since been recognized that this discourages a worker from undertaking training, and about half of the states have removed such restrictions. The Employment Security Amendments of 1970 will prohibit all states from denying UI benefits in such cases. This makes it possible for a UI claimant to receive benefits while he takes approved training other than under MDTA.

Many trainees cannot immediately find a job for which their training has fitted them, and they need some kind of income during this period. The Manpower Administration, in 1969, instituted a Supplemental Training and Employment Program which will partially meet this need. Unemployed trainees will be referred to public agencies and private nonprofit institutions for work experience. They will be paid the prevailing wage up to $2 an hour for a 40-hour week. Participants can be assigned for periods up to 26 weeks. The program is limited, however, to areas that have had a serious increase in unemployment. It would be desirable to continue income support up to, say, 13 weeks for all trainees who cannot find work on completion of training or who lose their post-training jobs before they can qualify for UI.

Poverty Programs

None of the poverty programs present any problem of coordination of income payments with UI. Those that provide training or employment or a mixture of the two raise the question of potential credit toward coverage by UI for the time spent in these programs. These include the Neighborhood Youth Corps, the Job Corps, and the smaller New Careers and Operation Mainstream programs.

Since the inschool and summer NYC programs are designed to encourage youths to remain in school and the earnings from them are small, it would be neither feasible nor desirable to cover work in those programs by UI. On the other hand, it might be desirable to credit time spent in the out-of-school program toward UI protection since that program is designed to bridge the gap between school and employment. However, it would be more appropriate to continue the allowance received during training, as proposed below for the Job Corps.

Credit toward UI also might be given for the time spent in the Job Corps, basing the amount on the $30-$50 a month allowance provided to persons

while enrolled, as well as on the cost of subsistence afforded — shelter, clothing, and medical care — as is now done under the unemployment compensation program for ex-servicemen. However, if this were done, UI credit should be given for training under MDTA to be consistent. The income in institutional training allowances under MDTA, however, is in lieu of UI and could hardly be used as credit to qualify for UI benefits. A better solution would be to increase substantially the readjustment allowance paid on completion of training in the Job Corps — $50 for each month of enrollment — and pay it monthly if the enrollee has returned to school or is actively seeking work.

Since the minimum or prevailing wage is paid under the Operation Mainstream program and full-time work is provided, it might be more feasible for UI to cover this employment. It is questionable, however, whether workers in Operation Mainstream should be covered since it is essentially a work relief program. Continued enrollment in Operation Mainstream would be more appropriate. The employment of those enrolled in the New Careers program is automatically credited toward UI only if the sponsoring agency is covered.

Public Assistance

If needy unemployed persons throughout the country were made eligible for public assistance, the biggest gap in income protection for the unemployed would be filled. This was partially but very inadequately accomplished through the extension of Aid to Dependent Children to families with unemployed parents, under a federal amendment in 1961. AFDC-UP has been implemented in only about one-half the states.

The Family Assistance Plan proposed by President Richard Nixon, now under consideration by Congress, would substitute for the AFDC program a basic floor of income for all families with children; it would be available not only to the unemployed but also to the working poor. A basic minimum annual income of $1,600 for a family of four (more recently $2,200) is proposed.

Under the President's plan, total payments would be reduced by 50 percent of any earned income in excess of $720 a year and by 50 percent of the earnings above $720. The latter reduction would apply to unemployment insurance payments, which would still give a financial advantage to unemployed persons eligible for UI benefits. Under the bill passed by the House of Representatives in 1970, however, FAP would be reduced by 100 percent of any UI benefit received. This would provide no advantage for an unemployed worker who can qualify for unemployment insurance. The likelihood is that workers would forego any claim for UI under the House bill unless they would gain by doing so.

In any case, cross-reporting between the administrators of FAP and the UI agencies would be necessary to prevent unauthorized duplication of benefits. The possibilities of duplication would not be large, however, even if FAP were reduced by only 50 percent of UI benefits received, since most of the unemployed who qualify for UI have higher incomes than would be subsidized under the Family Assistance Plan. If FAP had been in effect in 1968, it might have given income support to not more than 10 to 15 percent of the unemployed (see Appendix A).

The Administration proposals, as well as the House bill, would exclude single adults and married couples without children from the Family Assistance Plan. It would thus leave unprotected about 6.5 million persons with deficient income. Such coverage, however, should eventually be provided if FAP is adopted. Needy employable individuals are ineligible for relief under the general residual welfare programs in most states and localities. Many needy unemployed individuals without children will therefore continue to have no protection if FAP as now proposed is adopted. Accordingly, whether or not FAP is adopted, it is desirable and necessary that general assistance be made available to unemployed persons in all states and localities who have no (or inadequate) income support from UI or other programs.

Should There Be One Comprehensive Program?

As we look at the variety of programs of income support for the unemployed, the question arises whether there could not be one comprehensive program instead. Some look upon guaranteed minimum income plans as providing such a program. It could well be that if a program were adopted the general public would expect it to become a substitute for more particular programs such as unemployment insurance. The FAP proposal obviously could not meet all minimum income needs because of its limitation to families with children and its low income support level. But if a more comprehensive plan were enacted, providing for a higher income support level and for payments based solely on income deficiency, would the values of the unemployment *insurance* approach be lost, especially in view of the restrictions and rigidities of that approach?

In reply, it should be stressed that unemployment insurance was originally designed for short-term unemployment and is geared to prompt and frequent payment of benefits — an advantage which might be lost in a plan such as FAP that is designed to make up deficiencies in *annual* income. Second, it should be stressed that UI benefits are paid without regard to the level of annual income of the unemployed worker — they are designed to assist him in maintaining his standard of living, not just to keep him out of poverty.

As has been shown earlier,[2] a plan such as FAP would assist only a limited fraction of the unemployed. Also, only a small fraction of those eligible for UI would be eligible for FAP or even more comprehensive and liberal plans.[3] As Dr. Eveline M. Burns has recently said, "We must abandon the 'will-o'-the-wisp' hunt for a single all-embracing income security measure."[4] Income security needs are complex; adequate provision for those needs, therefore, cannot be simple.

A More Rational and Effective Approach

If the unemployment insurance program were extended to cover all wage and salary employment and if its benefits were made more adequate in amount and duration, it could meet the income needs of a much larger proportion of the unemployed than it does today. A more adequate UI program would also minimize the tendency to add such programs as Trade Readjustment Allowances to provide more adequate benefits for particular groups of workers. Nevertheless, it is doubtful whether UI alone could be made the exclusive income maintenance program for the unemployed. UI could not meet all the special income needs of all unemployed workers and their families; in an attempt to do so, it could lose its character as an insurance program related to wage income. Special programs such as the Neighborhood Youth Corps and the Job Corps are necessary for those who need training or special assistance to become established in the labor force. Income maintenance is needed for the unemployed undergoing retraining, and public assistance is needed for those who cannot meet UI eligibility requirements or whose benefits are inadequate to meet special needs or to support large families. Nevertheless, unemployment insurance should continue to be the chief income support for the unemployed. Specific measures, program by program, for elimination of unjustified duplication of benefits, for coordination between UI and other programs, and for filling the deficiencies in protection such as have been outlined in this study appear to be the way to make the varied income support programs for the unemployed more rational and more effective in meeting the needs of the unemployed.

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[2]See page 48.

[3]Merrill G. Murray, *The Role of Unemployment Insurance Under Guaranteed Minimum Income Plans* (Kalamazoo, Michigan: The Institute, June 1969), pp. 18-23.

[4]"Welfare Reform and Income Security Policies," a paper delivered to the National Conference on Social Welfare, June 1970.

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IV. Recommendations

To meet more completely the income needs of the unemployed and at the same time to provide better coordination and avoid unnecessary and unjustified duplication of benefits, these fundamental recommendations are made:

1. That protection by UI be maximized through expanded coverage, more adequate amount and duration of benefits, and less stringent requirements for the receipt of benefits, making unnecessary such special programs as Trade Readjustment Allowances and Disaster Unemployment Assistance.

2. That if specific measures are deemed necessary to prevent duplication of benefits, UI benefits be paid only if the wage or employment credits on which they are based have been earned subsequent to the award of some other benefit.

3. That protection provided by programs other than UI be made more complete and adequate to relieve pressures on UI to fill deficiencies (for example, in TDI and maternity benefits) inappropriately.

4. That a public employment program be provided for older workers who become permanently displaced from employment before retirement age. This would be a better solution than extending UI or lowering the age requirement for old-age benefits.

5. That the weekly amount of the institutional training allowance paid under MDTA be geared to the income needs of the trainees rather than to state average UI benefits; and that allowances be continued temporarily after training ends, say up to 13 weeks, while the trainees are looking for work unless they are given employment under the new Supplemental Training and Employment Program. Although a case can be made for using UI funds to finance training allowances to MDTA trainees who could qualify for UI, the advantages would not be worth the effort needed to make this change possible.

6. That readjustment allowances be given to trainees leaving the NYC out-of-school program or the Job Corps. This would be more appropriate than credit toward coverage under UI.

7. That the gaps left by UI and other programs in providing income for the needy unemployed be filled by provision of adequate public assistance. This has been only partially accomplished through the AFDC-UP program and would be more fully achieved through the Family

Assistance Plan proposed by the Nixon Administration. Income support should also be extended to poor childless families and single persons who would not be protected under FAP. At least for them, public assistance should be available when unemployment occurs.

8. That neither FAP nor any other guaranteed income plan be considered as a substitute for unemployment insurance since such a plan would benefit only a fraction of the unemployed.

Appendix A

The Proportion of Persons Unemployed in 1968 Who Were in Families That Would Be Eligible for FAP Payments

In 1968 a total of 11.3 million persons experienced one or more weeks of unemployment during the year. These are divided into three main groups.

Group	*Number (millions)*
Total	**11.3**
Unemployed three or more weeks	8.8
Unemployed one or two weeks	1.3
Unemployed who did no work during year but who looked for work	1.2

In all, there were about 43 million household heads who worked during 1968,[1] of whom 7 percent (3.1 million) experienced three or more weeks of unemployment. That year, 2.9 million who worked headed families classed as poor. About 12 percent (344,000) of them cited unemployment as the main reason for their failure to work year-round.[2] They represented about 11 percent of the 3.1 million workers unemployed three or more weeks who were household heads. Not all the families of this group could qualify for FAP benefits since not all had children. About one-third of all poor families in 1968 were childless, most of them headed by older men who did not work.[3]

Subtracting the 3.1 million household heads from the 8.8 million unemployed three or more weeks in 1968 leaves 5.7 million nonheads of households with three or more weeks of unemployment during the year. How many were in poor families is hard to say. Most were women, and many were young. Some did not live in families at all. Some idea of the proportion in poor families may be gained from an analysis made of the labor force status of nonheads of poor families in relation to that of heads as of March 1964.[4] At that time, 5.6 percent (400,000) of all poor family heads were un-

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[1]U.S. Department of Labor, Bureau of Labor Statistics, "Work Experience of the Population in 1968," Special Labor Force Report 115, Table C-8, p. A-25.

[2]U.S. Department of Commerce, Bureau of the Census, "Poverty in the United States, 1959 to 1968," Series P-60, No. 68, December 31, 1969, Table 8.

[3]*Ibid.*, Table 3.

[4]Mollie Orshansky, "Who's Who Among the Poor: A Demographic View of Poverty," *Social Security Bulletin,* July 1965, Table 9, p. 23.

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employed.[5] There were 480,000 other poor family members who were unemployed at that time, over 90 percent of them in families where the head was employed or not in the labor force at all.[6] The ratio of nonhead to head unemployed in poor families then was 6 to 5 (480,000 to 400,000). The ratio is probably higher at other times of the year, especially in the summer when many mothers and young people enter the labor force to seek work while school is out. It may be somewhat lower in the winter months when bad weather curtails outdoor work performed mostly by men. The ratio in March may also be somewhat low for this reason. The reduction in unemployment levels between 1964 and 1968 was especially marked for men who tended to head families. The corresponding nonhead to head unemployed ratio in 1968 was therefore probably higher, perhaps substantially so. If this ratio was as high as 2 to 1, the total number in poor families who were unemployed three or more weeks in 1968 would be somewhat over 1 million (344,000 heads plus 688,000 nonheads), or only 12 percent of the 8.8 million workers with three or more weeks of unemployment. If the ratio were 3 to 1 (344,000 heads plus 1,032,000 nonheads), the proportion would be 16 percent. Again, not all the families of these workers would qualify for FAP assistance since not all had dependent children.

Most of the 1,285,000 workers who experienced only a week or two of unemployment were male heads of households. It is unlikely that the proportion of this group who were poor was as much as that for the group that was unemployed three or more weeks.

Only about 15 percent (184,000) of the 1.2 million who had no work in 1968 headed households. Of these 37,000 or about one-fifth headed poor families and cited inability to find work as the main reason for their lack of any employment during the year.[7] Of the nonheads in the group that had no work, over three-fourths were women or girls, most of whom sought work for only a few weeks during the year.

The impression is, then, that no more than 1.1 to 1.6 million or 10 to 15 percent of the 11.3 million with any unemployment in 1968 were members of poor families which would be eligible for FAP payments. Table A shows the range of these estimates.

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[5] *Ibid.*, Table F, p. 31.

[6] *Ibid.*, Table 9, p. 23.

[7] U.S. Department of Commerce, Bureau of the Census, "Poverty in the United States, 1959 to 1968," Series P-60, No. 68, December 31, 1969, Table 8.

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Table A

Rough Estimate of the Unemployed in 1968 Who Would Be Eligible for FAP Payments

Classification	Low Estimate	High Estimate
Total	**1,100,000**	**1,600,000**
Unemployed three weeks or more		
Heads of poverty households with children	227,000	344,000
Nonheads of households in poverty households with children	688,000	1,032,000
Unemployed one or two weeks in poverty households	a	a
No work in 1968, but looked for work — heads of poverty households	184,000	184,000

[a]Too small to estimate.

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Appendix B

*Data on Public Income Support Provided to the Unemployed**

Data available are not comparable between programs, and it is impossible to obtain a grand total of the number of unemployed receiving public income support or of the amounts they receive under the various programs. The following notes, however, afford some impression of program dimensions, in relation to all unemployment and in comparison with unemployment insurance, and of the extent to which the unemployed receive payments from more than one program.

Income Support Provided on the Basis of Unemployment

Unemployment Insurance Programs. Of the 2.8 million counted as unemployed in an average week of 1969,[1] about 900,000 drew UI benefits.[2] Of the 11.3 million persons experiencing any unemployment during 1968,[3] an estimated 5.0 million drew some UI benefits that year totaling $2.2 billion.[4] About the same number drew $2.3 billion in 1969.[5] The 52 state UI programs accounted for about 90 percent of this total and, on the average, paid claimants $46 a week for 11.4 weeks. About one out of five claimants exhausted their benefits after an average of 21.4 weeks.[6]

Trade Readjustment Allowances. From 1966 through November 1970, slightly more than 4,000 workers received TRA; payments totaled about $6,750,000. Recipients averaged about $68 per week, considerably more than average weekly UI benefits, for an average duration of 24.5 weeks.[7]

Disaster Unemployment Assistance. Through August 1970, covering major disasters since mid-1967, this program has received 46,000 applications for assistance and disbursed almost $9.6 million to somewhat more than 38,000 recipients.[8]

Income Support for Risks Other Than Unemployment

Temporary Disability Insurance. The total number of TDI recipients is not known. Data are not available for New York or compulsory private plans elsewhere. The railroad program supported 25,000 in May 1970.[9] It received 28,000 first claims in the three preceding months, compared with 240,000 in California and under state plans elsewhere.[10]

Few TDI recipients are unemployed when disability occurs. Nor are they counted as unemployed while disabled. The number of UI claimants allowed

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*References are listed at the end of this appendix.

to continue on UI while temporarily disabled, in the 10 states permitting, is also small although not known.

Workmen's Compensation. The number of workers compensated is not known. Cash payments in 1969 totaled $1.7 billion, about three-fourths the level of all UI payments that year.[11] It is unlikely that many recipients seek work or claim UI benefits.

OASDHI Programs. In 1969, on the average, over three million persons aged 65 and over were employed and 88,000 were unemployed.[12] During 1968, 4.3 million in this age class had some employment during the year; about 250,000 experienced some unemployment.[13]

In December 1969, of nearly 20 million persons aged 65 and over, 17 million received OASDHI benefits.[14] Many of the remaining three million drew other public retirement pensions or OAA. It is reasonable to assume that nearly all in this age category who still work either draw or can qualify for public pensions or assistance. Those who become unemployed and draw UI benefits, therefore, are likely to be collecting other public benefits at the same time.

Workers may file for reduced OASDHI retirement benefits beginning at age 62. At mid-1970, 1.2 million of about 5 million persons 62-64 years of age were on such pensions.[15] About three-fourths of all men and over one-third of all women aged 60-64 are in the labor force, compared with less than half the men and one-tenth of the women aged 65 and over.[16]

In May 1970, 224,000 aged 60 and over were unemployed and 221,000 claimed UI benefits, 6.6 percent of all unemployed and 13 percent of all UI claimants.[17] The latter include some who draw partial benefits because they have some part-time work; for the total labor force count, they are considered employed, not unemployed.

Veterans' Programs. 3.8 million veterans received pensions or compensation in July 1970. Many work and some experience unemployment; the numbers involved, however, are not known. The same is true of another two million survivors of veterans who draw benefits. All cash benefits paid under veterans' programs totaled over $5 billion in 1969.[18]

Income Support Provided With Work-Training

The recipients of income from the following programs are not included in the official count of the unemployed; only those under MDTA may draw UI benefits.

Manpower Development and Training Programs. In fiscal 1969 MDTA institutional training programs enrolled 135,000 trainees, nearly 40 percent

of whom were under 22 years of age. About 110,000 were eligible for training allowances. Some 10,000 were UI claimants and nearly 20,000 were on public assistance at the time of enrollment.[19] Cash allowances paid during 1969 totaled $124 million.[20] During December 1969, the average adult weekly training allowance paid was $48 while the youth allowance averaged $43.[21]

Neighborhood Youth Corps. (1) The NYC *out-of-school* program enrolled about 100,000 youths during the 12 months ending August 1969. The majority were 18 to 21 years old; 40 percent were younger. About one-third came from families on public assistance.[22] The average enrollee worked about four months in this program averaging 28 hours a week at the federal minimum wage.[23] Earnings, therefore, come to about $45 a week, at the current minimum wage. The 100,000 enrollees cited above thus earned about $75 million.

(2) The *inschool* and *summer* NYC programs enrolled about 475,000 students in the September 1968-August 1969 period, approximately 30 percent from families on public assistance.[24] *Inschool* enrollees averaged about 11 hours a week and *summer* enrollees worked up to a maximum of 260 hours at minimum wages.[25]

In mid-June 1969 there were 753,000 unemployed 16-17 years of age, up from 305,000 in May. The number in July was 704,000 and in August 453,000.[26] NYC summer enrollment was 356,000 at the end of July. (While enrolled, these youths are not counted among the unemployed.) NYC in-school enrollment levels in nonsummer months were about 100,000.[27] Between September 1969 and May 1970, unemployment of those 16-17 years of age usually ranged from 400,000 to 450,000. Most were seeking part-time work. Their number climbed to over 900,000 in June 1970.[28]

Job Corps. Fiscal 1969 enrollments in this program totaled 53,000. Job Corps enrollees in 1968 averaged 17.4 years of age; 72 percent were male; 69 percent were nonwhite.[29]

New Careers. Of the 3,800 enrolled in fiscal 1969, about 60 percent were 22-35 years of age; one-third were older; 70 percent were women; two-thirds were nonwhite. About 35 percent were on public assistance.[30]

Operation Mainstream. Of the 11,300 persons enrolled in fiscal 1969, close to half were 55 or more years of age. About 4 out of 5 were men and 2 out of 3 white; about 1 out of 6 were on public assistance.[31]

Income Support Provided on the Basis of Need

Aid to Families with Dependent Children. By April 1970 the number of families on AFDC rose to above two million.[32] Most adults in these families were mothers, some of whom work when they can. The unemployed parent

segment of AFDC, operating in about half the states, accounted for less than 5 percent of the total caseload. In August 1969, 62,000 families on AFDC-UP averaged over five persons per family and $250 in support that month.[33]

Work Incentive Program. During fiscal 1969 WIN enrolled 81,000, 40 percent of whom were men. The majority were white; three-fourths were 22-44 years of age.[34] Another 72,000 were enrolled through April 1970.[35] While in training, WIN enrollees receive a $30 weekly incentive payment over and above their AFDC assistance.

General Assistance. Cases aided numbered around 400,000 during 1969 and around 450,000 early in 1970.[36] While many jurisdictions deny such support to families with employable adults, some needy unemployed do receive general assistance. Monthly payments were under $100 per case in 1969 and a little more in early 1970.[37]

Other assistance programs. Old-Age Assistance (OAA), and aid to the blind and other disabled supported an average of three million cases in 1969 and early 1970. Over two-thirds were on OAA. Probably most of these individuals are not in the labor force. Some may work, perhaps part of the time, or would like work that might be available on reasonable terms. OAA averaged $70-$75 a month during 1969.[38]

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[1] *Manpower Report of the President,* 1970, Table A-1, p. 215.

[2] Based on average weekly number of all UI beneficiaries, less partial beneficiaries, estimated on the basis of the percentage (8.5 percent) of all weeks compensated by state UI programs which were for partial unemployment (see monthly data in *Unemployment Insurance Statistics*).

[3] *Manpower Report of the President,* 1970, Table B-16, p. 263.

[4] Based on total first payments under state UI programs (see *Handbook of Unemployment Insurance Financial Data,* 1969), plus those under UCFE and UCX programs (see monthly *Unemployment Insurance Statistics,* Table 4), plus about 10 percent for carryover of beneficiaries from December 1968.

[5] *Social Security Bulletin,* September 1970, Table M-1, p. 32.

[6] *Handbook of Unemployment Insurance Financial Data,* 1969.

[7] Data supplied by Unemployment Insurance Service of the Manpower Administration, U.S. Department of Labor.

[8] Data supplied by Unemployment Insurance Service of the Manpower Administration, U.S. Department of Labor.

[9] *Social Security Bulletin,* September 1970, Table M-3, p. 34.

[10] *Unemployment Insurance Statistics,* September 1970, Table 40, p. 23.

[11] *Social Security Bulletin,* September 1970, Table M-1, p. 32.

[12] *Manpower Report of the President,* 1970, Tables A-8 and A-13, pp. 224 and 229.

[13]U.S. Department of Labor, Bureau of Labor Statistics, "Work Experience of the Population in 1968," Special Labor Force Report No. 115, Table C-1, p. A-18.

[14]*Social Security Bulletin,* September 1970, Table Q-4, p. 61.

[15]U.S. Department of Health, Education, and Welfare, Social Security Administration, OASDHI Summary Benefit Data, *Monthly Benefit Statistics,* No. 9, 1970, Table 2.

[16]*Employment and Earnings,* October 1970, Table A-3.

[17]*Employment and Earnings,* June 1970, Table A-3 and *Unemployment Insurance Statistics,* September 1970, Table 33, p. 16.

[18]*Social Security Bulletin,* September 1970, Tables M-1 and M-3, pp. 32 and 34.

[19]*Manpower Report of the President,* 1970, Table F-5, p. 308.

[20]*Social Security Bulletin,* September 1970, Table M-1, p. 32.

[21]*Unemployment Insurance Statistics,* March 1970, Table 39, p. 30.

[22]*Manpower Report of the President,* 1970, Table F-9, p. 312.

[23]See page 37 of this report.

[24]*Manpower Report of the President,* 1970, Table F-9, p. 312.

[25]See page 37 of this report.

[26]*Employment and Earnings,* monthly, Table A-3.

[27]*Manpower Report of the President,* 1970, p. 59.

[28]*Employment and Earnings,* monthly, Table A-3.

[29]*Manpower Report of the President,* 1970, p. 59 and Table F-19, p. 321.

[30]*Ibid.,* Table F-10, p. 313.

[31]*Loc. cit.*

[32]*Social Security Bulletin,* December 1970, Table M-24, p. 34.

[33]*Welfare in Review,* January-February 1970, Table 8, p. 34.

[34]*Manpower Report of the President,* 1970, Table F-14, p. 316.

[35]*Manpower,* September 1970, p. 8.

[36]*Social Security Bulletin,* May and December 1970, Table M-24.

[37]*Ibid.*

[38]*Ibid.*